

Italy keen to leave sick man image behind

More than anyone Mr Carlo Azeglio Ciampi, the Italian treasury minister, staked his prestige upon an early return of the lira to the European Exchange Rate Mechanism (ERM).

For him the lira back inside this strait-jacket represents an historic step towards Italy's recovering financial stability and international credibility.

This step has been high on the 75-year-old former central banker's agenda ever since he agreed to come out of semi-retirement to join the centre-left government of Mr Romano Prodi in May.

The move has a special relevance for him. As governor of the Bank of Italy, the central bank, he helped preside over the birth of the ERM and in September 1992 was still running the bank when the lira was forced - with sterling - to float outside, devaluing heavily.

Having fought hard to defend a strong lira, the Bank of Italy emerged severely bruised from that debacle.

Mr Ciampi has since then made no secret of his desire to turn the pages on this bleak chapter, which long left Italy looking the sick

man of Europe during four turbulent years.

Just before devaluation in September 1992 the lira had touched L765 against the D-Mark, the prevailing floor level. At one stage in March 1995 under the government of prime minister Mr Lamberto Dini, the Italian currency reached a low of L1,275 against the D-Mark. At Friday's closing, the cumulative devaluation had been reduced to 25 per cent against the benchmark German currency, hovering around L996.

Towards the end of last year, Mr Dini first raised the prospect of re-entry but this was not taken seriously by Brussels because of the weakness of the proposed 1996 budget.

Since the advent of the centre-left government, the lira has gained 8 per cent, in good measure thanks to the high regard of the international financial community for Mr Ciampi as a "super economics" minister (for the first time he combines the treasury and budget portfolios) and his commitment to greater financial austerity.

Although Italian officials were aware of a certain reticence in Brussels about the timing of Friday's applica-



French finance minister Jean Arthuis at yesterday's Brussels meeting on the lira

tion to rejoin the ERM, the government as a whole was willing to take the risk.

Domestically the centre-left coalition needs to reap the political benefits of being seen to be accepted by its EU partners at the very moment it is asking citizens to contribute to a "Euro-tax" to take part in the first phase of single currency.

It will prove concrete

proof that the sacrifice is likely to be rewarded and serve to counter the sceptics who believe Italy cannot make the first core phase of monetary union.

In terms of its EU partners, Italy believes it now has its cards in order for re-entry for three main reasons:

- The 1997 budget had been approved by the chamber of

deputies, where the government lacked a clear majority. The budget still has to be approved in the senate, which will take another three weeks, but the outline is unlikely to be altered. The budget itself aims to bring the deficit down next year to close to 3 per cent of gross domestic product.

The extent to which the central bank has intervened has been carefully guarded but in October alone, according to one market analyst, it

was to the tune of \$18bn. Without such intervention the lira could probably have strengthened to below L940.

However, the government knew that Italy's powerful business lobby did not wish to see the lira re-enter at anything stronger than L1,000. Mr Giovanni Agnelli, the honorary chairman of Fiat and still the authentic spokesman for business, said at the weekend: "Anything that is above L1,000 is fine, anything below is bad."

Undoubtedly Italian business has profited from devaluation but it is not just this. Britain's exports have grown far more slowly than Italy's though the two countries left the ERM at the same time. Italy's trade surplus - this year expected to be a staggering L60,000bn - is also due to the dynamism of its companies and products.

In reply to French charges that the lira was too cheap, Italian officials claimed their industry was often made a scapegoat for the failure of French industry to become more competitive. Italy's trade surplus with France is less than that with Spain.

Robert Graham

Prodi calls for pensions debate

By John Simkins in Milan

Mr Romano Prodi, Italy's prime minister, called at the weekend for an early national debate on the country's pensions system, which weighs heavily on state expenditure despite partial reform under the previous government.

His demand, however, ran into immediate opposition from the unions, which insist that a review of the pensions law passed last year should not be conducted before 1998 as previously planned.

Mr Sergio Cofferati, general secretary of CGIL, the largest union federation, said data on which to judge the reforms would not be available before then, and the government's stance on pensions was "masochistic".

Mr Prodi's intervention leads weight to the stance of the Treasury, which believes the reform should be renegotiated next year.

The prime minister denied he had avoided tackling the issue in the recent budget negotiations for fear of upsetting the headline Reconstructed Communism party, on which his Olive Tree alliance depends for support.

But the government does not yet appear to be united on its approach. Mr Vincenzo Visco, finance minister, said on Saturday he believed the pensions review should be conducted in 1998.

Generous provisions by international standards have left the state-run system in chronic deficit, and last year INPS, the national pension fund, required state transfers of L72,000bn (\$47.5bn) covering about a quarter of its outgoings.

The reforms agreed last year shifted provision away from the pay-as-you-go method, whereby pensions are paid from contributions by people in work. Benefits are now linked to contributions during the working life.

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EDS embarrassed by Madrid investigation

By David White in Madrid and Norma Cohen in London

EDS, the Dallas-based information technology company, has suffered an embarrassment after Madrid city council announced it was investigating alleged fraudulent activities by the group's sub-contractors in the city.

EDS, which is not under investigation itself, has been responsible since September for processing and collecting all traffic fines in the Spanish capital. It continues to hold the contract but says it has discontinued the services of its sub-contractor, Servico, which is the subject of the inquiry.

However, the announce-

ment comes as EDS faces rising criticism in the UK for cost overruns in a contract it was awarded by the Inland Revenue and for inefficiencies in outsourced information technology contracts for private companies, including Royal Bank of Scotland.

Madrid officials say EDS won the competition for the contract "hands down" against the Anglo-French Sema Group.

Mr Pedro Bujidos, the city's finance chief, said a "scandal" had erupted last month when employees of Servico, a Spanish company sub-contracted by EDS to collect traffic fines from non-payers, denounced a series of irregularities.

A legal probe is under way into allegations that Servico claimed payment for falsely notifying EDS that it had served notices of fines on traffic rule violators. It is understood to have claimed payment from EDS for work that it had not carried out. The council was also conducting its own inquiry, Mr Bujidos said.

Under its contract, EDS's payment is pegged to the amount of fines actually received.

EDS, founded by former US presidential candidate Mr Ross Perot and sold to General Motors, was floated as an independent company last June with shares traded in New York and London.

Barcelona's Socialist mayor to stand down

By Tom Burns in Madrid

Mr Pasqual Maragall, the high-profile Socialist mayor of Barcelona who hosted the 1992 summer Olympic games, abruptly announced at the weekend that he would cut short his term in the city hall and step down in September next year.

The decision is the first clear sign of in-fighting within Spain's Socialist party, defeated in general elections last March by the centre-right Popular party after nearly 14 years in power. The Socialists are to stage a congress next year to define their strategy in opposition and the composition of their leadership.

Mr Maragall, 55 and mayor of Spain's second city, the capital of Catalonia, since 1982, announced his decision at a congress of Barcelona Socialists in which his supporters failed to gain a majority of posts on the local party executive.

Responsible for the extensive urban renewal of Barcelona in the run-up to the 1992 games, as well as for their successful staging, Mr Maragall is one of the most admired big-city mayors in Europe. Although he had said he would not seek reelection when his latest four-year term ends in 1998, he was under considerable pressure to run for office again.

Mr Maragall was one of

the very few sitting Socialist mayors re-elected in municipal elections in 1995, when the Popular party made sweeping gains. His departure will be welcomed by the Catalan nationalist party, which runs Catalonia's autonomous government, but has consistently failed to capture Barcelona's city hall on account of Mr Maragall's popularity.

So far there have been only muted calls among Socialists for Mr Felipe González, the former premier, to stand down from the party leadership together with the old guard of Socialists, many tainted by corruption allegations, who served in his governments.

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NEWS: INTERNATIONAL

Search goes on in air hijack mystery

By Our Foreign Staff

Ethiopian government officials were last night trying to determine the motives of the three men responsible for the world's worst hijacking disaster.

Up to 123 people were killed when an Ethiopian Airlines flight, commanded shortly after it took off from Addis Ababa airport, crashed on Saturday off the Comoro Islands. The aircraft was bound for Nairobi and Lagos.

Two of the hijackers, both believed to be Ethiopian, were among the survivors, but no organisation has so far claimed responsibility.

Rescuers continued to search for bodies in the submerged wreckage, just off the shoreline of the main island of the Indian Ocean archipelago, and 500 yards from a beach hotel, whose guests joined in the rescue operation.

Among those killed was Mohamed Amin, a Kenyan television cameraman widely acclaimed for bringing Ethiopia's famine in 1984 to world attention.

Mr Amin, who worked for Reuters Television and lived in Nairobi, narrowly escaped death when covering the fall of the Ethiopian dictator, Mengistu Haile Mariam, in 1991, when an ammunition dump exploded.

Although he lost an arm, he continued to work as a television journalist and

'We escaped from prison. We are against the government. We are hijacking the plane'

writer, confirming his reputation as one of Africa's top photojournalists.

Shortly after take-off, the hijackers stormed the cockpit. Speaking in Amharic, the Ethiopian language, they announced over the intercom: "We escaped from prison. We are against the government. We are hijacking the plane. We have an explosive. If anybody moves, we'll explode it," according

to a survivor.

The Ethiopian pilot, Mr Leul Abebe 42, who also survived the crash, said one hijacker was wielding a small axe, apparently one kept in the aircraft for use in emergencies. A second carried a small fire extinguisher from the aircraft, wielding it as a weapon.

The third said he had a bomb in one hand, although Mr Leul could not identify the object as such. In his other hand was a bottle of whisky.

They wanted to go to Australia but made no other demands, the pilot said, adding: "The hijackers wanted to make history."

The Ethiopian government, headed by President Meles Zenawi, overthrew the Mengistu regime in May 1991.

Since then he has presided over wide-ranging economic reform and the introduction of a federal constitution, in which power is in theory devolved to nine regional states, based largely on ethnic groupings. In practice, however, authority rests firmly in the hands of the president.

Pharmaceuticals sales rise in world's biggest markets

By Daniel Green

Sales of pharmaceuticals in the world's 10 biggest markets passed the \$100bn mark during the first three quarters of the year.

Nine-month sales amounting to \$105.1bn were 8 per cent higher than for the same period of 1995, excluding exchange rate fluctuations, according to figures published today by IMS International, the specialist market research company.

The US remained the largest single market, with sales of \$43.3bn, compared with \$39.8bn for the seven largest European markets combined. Figures for both the US and Europe's top seven markets were 7 per cent higher than for the first nine months of 1995.

Sales growth was fastest in Italy, the UK and Spain. In Italy, where the market is recovering from successive government price control measures, sales rose 11 per cent to \$6.5bn. Sales in the UK and Spain grew 10 per cent to \$4.9bn and \$3.8bn respectively. Germany remained Europe's largest market with sales up 8 per cent to \$12.5bn.

World pharmacy drug purchases January-September 1996 (\$bn)

	US	Japan	Germany	France	Italy	UK	Spain	Canada	Rest of Europe
Pharmaceuticals	43.3	14.7	12.5	10.5	6.5	4.9	3.8	2.1	1.5
Medical devices	1.2	0.8	0.6	0.5	0.4	0.3	0.2	0.1	0.1
Biotech	0.5	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Others	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Total	45.2	15.8	13.4	11.2	7.1	5.4	4.2	2.4	1.8

Source: IMS International. *High-hospital market only. †Includes over-the-counter drugs.

France has traditionally had among the lowest drug prices in Europe, but this has been partly offset by high prescribing levels. Sales were worth \$10.5bn for the period, a rise of 2 per cent.

Japan, the second largest market, was one of the slowest growing, thanks to a slow influenza season last winter and government price cuts in the spring. Sales in Japan grew just 2 per cent to \$17.2bn.

By medical area, nervous system drugs continued to grow quickly. The sector includes anti-depressant drugs such as Prozac, made by Eli Lilly of the US. Nervous system drug sales

rose 12 per cent to \$14.7bn. They now are the biggest medical area in the US, where sales rose 14 per cent to \$8.1bn. In contrast, they are less widely used in Japan, where sales rose 3 per cent to \$875m.

Another fast-growing sector was blood agents, led by a new generation of drugs designed to lower cholesterol levels. Among the biggest selling cholesterol-lowering drugs are Zocor and Pravachol, respectively made by Merck and Bristol-Myers Squibb, both of the US. Blood agent sales rose 15 per cent to \$6.5bn.

Recent launches in the UK meant sales there grew 51

per cent to \$130m. Sales in the US, Canada, Germany, Belgium and the Netherlands all recorded sales growth of more than 20 per cent for blood agents.

The biggest sellers remain heart drugs and digestive system drugs, although competition has held back growth as patents expire on older drugs.

Heart drug sales grew 3 per cent to \$18.4bn while digestive system drug sales grew 5 per cent to \$18bn.

Also growing slowly were anti-infective drugs, including antibiotics, still suffering from the mild influenza season. Anti-infective drug sales rose one per cent to \$10.5bn.

Welcome for Bhutto in Punjab

Ms Benazir Bhutto, Pakistan's ousted prime minister, yesterday received a rousing welcome in Punjab province, giving an early boost to her campaign to revive her political fortunes, writes Farhan Bokhari in Islamabad.

Thousands of party workers and supporters turned out in Lahore at her first rally since she was sacked by President Farooq Ahmed Leghari on November 5.

But Ms Bhutto faces an uphill task to galvanise her Pakistan People's party and repair the damage caused by a faltering economy and allegations of corruption against her government.

Ms Bhutto yesterday sought to file a petition to the supreme court to challenge her sacking. Two previous petitions were returned.

Ms Bhutto hopes to see the court restore her government and overturn her dismissal order. In 1993, the supreme court restored the government of Mr Nawaz Sharif, former prime minister, five weeks after he was dismissed by the then president, Mr Ghulam Ishaq Khan.

Indecision hits the case for intervention in Rwanda

Michela Wrong finds discord over refugee numbers

The rebels say the numbers are "infinitesimal". The Rwandan government acknowledges there could be up to 150,000. The UN High Commissioner for Refugees (UNHCR) insists there are 700,000.

The US says it can locate only around 290,000.

Ten days after more than half a million Hutus started returning to Rwanda in one of the most dramatic repatriations of its kind, no one, it seems, is certain how many refugees are left in east Zaire. Satellite photos and aerial reconnaissance missions have failed to clarify the issue, with each assessment being cited as evidence by the various parties.

The conflicting claims have led to a paralysis of indecision among countries which originally agreed to contribute to a Canadian-led intervention force to rescue refugees trapped by fighting between Hutu hardliners and Zairian rebels, adding grist to the mill of the growing anti-intervention lobby.

After repeated delays, a weekend meeting in Stuttgart, meant to finalise military details, in effect ducked a decision and offered a menu of options without endorsing any particular strategy. The dispute over figures has given countries such as the US and UK, always hesitant about involvement, a second chance to question an African adventure being urged on them by France and the UN aid agencies.

"Nobody wants to beat up on the UNHCR," said a western diplomat after US military experts briefing aid workers in Kigali revealed a massive 400,000 disparity between the UNHCR estimate of remaining refugees and their own figures. "But no one wants to drop troops into the jungle to find refugees who weren't even there in the first place."

At the start of the crisis, few would have dreamt of questioning the UNHCR's estimate that east Zaire's refugee population totalled 1.2m people, indicating less than half the target community had returned. However, in the last few weeks the agency's credibility has taken some body blows.

When fighting cut off all contact with the camps of north Kivu, aid officials painted apocalyptic visions of what was going on. The relatively healthy condition of the 600,000 refugees who later crossed into Rwanda from north Kivu came as a welcome surprise. New warnings that half a million refugees somewhere in south Kivu now face death risk being dismissed as another case of "crying wolf".

The wrangling over numbers has highlighted the fact

that while the UN agencies are calling desperately for military intervention, none has produced concrete proposals for what precisely such a force should do, or how it should avoid repeating the mistakes of the past.

Asked whether she was ready to return to leading retreating Hutu militiamen, currently burning Zairian homesteads and slaughtering villagers, Ms Catherine Bertini, head of the World Food Programme, said only: "Our responsibility is not to let people starve."

The UNHCR demands intervention but rejects responsibility for strategy. That leaves an array of questions. Given that the Rwandans, who regard intervention as unnecessary, have

Countries with fewer vested interests in the continent will hesitate to shore up a Zairian regime infamous for corruption and brutality

threatened not to co-operate with incoming troops, where will the operation be based? How would it distribute aid without creating camps neither Zaire nor Rwanda wants re-established? And as the rebels have sworn to oppose incoming troops, would the force be ready to seize Goma and Bukavu airports at the point of a gun?

"A military intervention is just a further confusion on top of an already messy situation," says Mr Mark Bowden, East African director for Save the Children. "We haven't seen how it would work and it doesn't seem to have been thought through. You cannot do good to people by force."

With every passing day, contributing nations are registering the dangers inherent in a mission initially labelled as humanitarian, but rising assuming an overtly political role.

Rwanda believes a multinational military operation now would have another agenda: that of paralyzing the rebels in control of Kivu, giving the Zairian army a chance to counterattack and shoring up ailing Zairian President Mobutu Sese Seko.

And while France may believe Mr Mobutu is the only man who can prevent the disintegration of central Africa, countries with fewer vested interests in the continent will hesitate to shore up a regime notorious for its corruption and brutality. Editorial Comment, Page 19

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NEWS: UK

Government forced to make Commons statement to placate MPs

Clarke to set out Emu strategy

By John Kampner,
Chief Political
Correspondent

The government yesterday retreated in the face of a backbench revolt on Europe by announcing a highly unusual eve-of-Budget statement by Mr Kenneth Clarke, the chancellor, setting out Britain's approach to negotiations on monetary union.

The decision was made after a weekend of frenetic telephone calls involving Mr John Major, the prime minister, cabinet members, Conservative party officials and business managers.

Initial reaction to the peace offering from Tory MPs was wary but positive. Last week they had accused

ministers of trying to stifle debate on Emu by confining scrutiny of important Emu documents to a committee.

Mr John Redwood, who challenged Mr Major for the party leadership last year, described the move as a "welcome concession". He added: "We needed to cross-examine the chancellor before he goes to Brussels and we must now obtain from him the reassurance that no possible controls can be applied to Britain if we do not enter Emu."

One Eurosceptic minister urged like-minded backbenchers to draw a line under the affair. He described the government's conduct towards MPs as "shambolic", but added:

"Assuming Ken gives a good account of himself, it's in all our interests to sue for peace."

Mr Clarke's appearance at the despatch box, exactly 24 hours before he presents his Budget, will reinforce the impression of a government panicked into last-minute concessions. However, party officials indicated they had no other choice.

Tory Eurosceptics plan to co-ordinate their questions to Mr Clarke, the cabinet's strongest supporter of a single currency.

Mr Major will chair a meeting of business managers and host a meeting with senior members of the 1922 executive of Tory backbenchers in an attempt to

find a suitable date for a full Commons debate.

It was Mr Major's insistence last week that a series of documents relating to Emu be confined to a European scrutiny committee - in defiance of a wall of criticism from all sections of the party - which set off one of the most damaging disputes of his leadership.

Party officials indicated that two days would be found for a debate between Mr Clarke's appearance in Brussels at Ecofin, a meeting of finance ministers, on December 2, and the summit of EU heads of government in Dublin on December 12. Backbenchers had feared the government would try to sneak through the Commons

a motion taking note of EU documents on three elements of Emu negotiations - the status of the euro currency, the stability pact applying strict controls on Emu members, and a new exchange rate mechanism.

Mr Ian Lang, trade and industry secretary, added to the confusion by suggesting a debate could be held as early as next Friday. Downing Street said later his remarks had been misinterpreted.

Colleagues of Mr Clarke said he would use today's statement to "knock on the head" suggestions that he would agree to any measures at Ecofin that would be binding on the UK if it stayed out of Emu.

Rival bids for inward investment continue

By James BRZ,
Political Correspondent

The cabinet ministers responsible for Scotland and Wales have beaten off a long-running attempt by the Treasury and the Department of Trade and Industry to control government bids for inward investment projects in the UK.

In spite of a huge row earlier this year over their attempts to win a contract from a South Korean electronics firm, Mr Michael Forsyth, the Scottish secretary, and Mr William Hague, his counterpart in Wales, are to retain complete independence in their campaigns to attract foreign investment.

Both ministers have agreed there should be "greater transparency" between departments negotiating investment projects and other technical adjustments to the process should be allowed.

But the DTI has virtually given up its fight to get all such bids handled by an inter-departmental agency. "Treasury officials, for their part, are still sending letters about it," said a minister, "but the truth is they have surrendered."

Earlier this year, Mr William Waldegrave, the chief secretary to the Treasury, proposed that UK inward investment be controlled by the Department of Trade and Industry's Invest in Britain bureau.

His concerns were raised by reports of a row between Mr Forsyth and Mr Hague over "rival bids" to attract a £1.4bn investment by South Korea's LG Group. Treasury and DTI officials argued that competitive bidding between departments gave a bad impression to foreign governments.

LG subsequently pledged to build an electronics complex with 6,100 jobs in Newport, south Wales. LG's investment is worth £1.7bn and Mr Hague pledged grants of up to £200m.

UK NEWS DIGEST

Labour seen as tax-raise party

Key opinion formers still believe the opposition Labour party will raise taxes, even for the average family, in spite of the best endeavours of Mr Tony Blair, the party leader, to persuade them otherwise.

A survey of 100 opinion leaders in business and the City, the civil service, politics, the media and policy think tanks, conducted for the *Financial Times* last month by Opinion Leader Research, showed 66 per cent believed the overall tax burden would rise under a Labour government.

Some 56 per cent believed the tax burden would rise for the average family. Only 10 per cent believed the tax bill would fall for such families, in spite of Labour's recent statement that the party "would like to reduce taxes for ordinary families." Exactly a third believed taxes would remain the same.

Nicholas Timmins

POLITICS

Party's union link weakens

The link between trade unions and the opposition Labour party was further weakened at the weekend when Mr John Monks, the Trades Union Congress general secretary, admitted that "no party shared the entire trade union agenda".

He told a trade union conference in London that he was looking beyond Labour for the creation of a "national consensus for fairness at work" to include other political parties.

He was concerned to take the union cause "to all those who will listen". Union leaders were finding it increasingly difficult to win any sympathy or understanding from Mr Tony Blair, the Labour leader, who they believed was much clearer on reassuring employers than talking further on the trade union agenda.

Robert Taylor

EUROTUNNEL

Channel rail service hopes

Eurotunnel said yesterday that it expected a partial resumption of passenger rail services through the Channel tunnel within the next few days. The company said some trains on the Eurostar service provided by the French railway company SNCF and British Rail should be in service again this week or next week at the latest, following the fire on Monday last week.

Eurotunnel stressed that there was no question of restoring passenger services until it had received the approval of the inter-governmental safety commission, even though technically it did not need to wait for this. Its proposals to re-start passenger services were not quite ready for the commission.

Andrew Jack in Paris

CONSTITUTION

Devolution proposals attacked

Any legislation by a Labour government for a referendum on the creation of a Welsh Assembly "would be brought to a complete halt" in the Commons, Mr Michael Forsyth, the Scottish secretary, said at the weekend. He was speaking at an anti-devolution conference hosted by the Welsh Conservative Association.

Liam Halligan

Britain allays unionists' fears on Ulster talks

By John Murray Brown in
Dublin and John Kampner
in London

The British government moved yesterday to reassure Northern Ireland unionists that Sinn Féin would not be allowed to join talks on the province's constitutional future on a basis of a tactical ceasefire by the IRA, its military wing.

However, Mr Michael Ancram, Northern Ireland minister, made clear the door remained open for Sinn Féin by again refusing to set precise criteria for judging a renewed ceasefire declaration "credible and dependable".

Talk of a period of "quarantine and decontamination" for the IRA was not "relevant". Mr Ancram said the IRA would be tested by their deeds as much as their words - an apparent warning that ministers will take into consideration so-called "punishment beatings" by the IRA, as well as intelligence

reports of logistical preparation and training for acts of terrorism, which they say continued throughout the first ceasefire.

Mr John Hume, leader of the moderate nationalist Social Democratic and Labour party, predicted that if Mr Major responded positively to Sinn Féin's demands, the IRA would reinstate its ceasefire, which ended with February's bomb in London's Docklands.

Mr Hume, who has acted as intermediary between the government and Sinn Féin, dismissed as "a load of nonsense" unionist fears that the government was renegeing on its assurances about Sinn Féin's admission.

Amid continuing reports that the IRA is preparing for strikes against security targets if the current contacts do not earn Sinn Féin a place at the negotiating table, Mr Major has shown reluctance to alienate the unionists, whose support is so vital for his government's survival in Westminster.

Finance initiative seen as 'welcome innovation'

By Nicholas Timmins,
Public Policy Editor

The UK government's private finance initiative - where private sector money is used to fund public sector capital investments - is a "welcome innovation" which has the potential to increase the efficiency with which public services are provided, the International Monetary Fund has concluded.

But claims that it would create additional investment were illusory, and the assumption that it would increase efficiency "must be taken largely on faith". It remained possible it would distort public investment decisions. Continued delays in getting schemes off the ground could adversely affect investment in public services. And proper monitoring of the costs of PFI projects over their lifetime was "critical" if the initiative was not to be seen merely as a "buy-now-pay-later sleight of hand".

The IMF's findings, seen by the *Financial Times*, come from its forthcoming scrutiny of the UK economy.

The broad approval will come as welcome relief to Mr Kenneth Clarke, the chancellor of the exchequer, who will have to concede tomorrow that this year's planned spend of £1.5bn (\$3.2bn) is set to undershoot, largely because the national health service had yet to deliver a single high hospital project under PFI.

Despite intense last-minute efforts to sign contracts for two big projects neither looks likely to be agreed by Budget day.

The IMF said it had made "a positive assessment" of the initiative, launched in 1992, to finance schemes from roads to prisons, university buildings and hospitals. Payment for the services is spread over their contract life, replacing the need for the public sector to raise the capital needed.

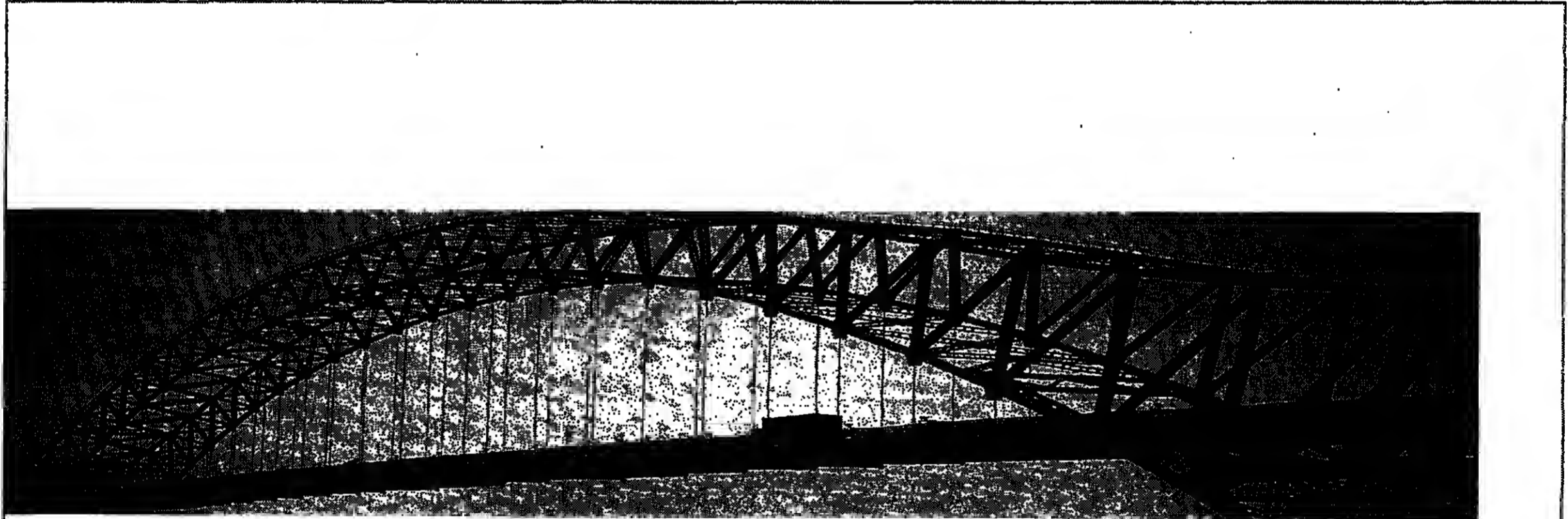
The fund's report, however, acknowledged the many criticisms of PFI and said action was needed "to overcome the administrative bottlenecks that have so far slowed its implementation." The most important change needed, the IMF said,

was the introduction of resource accounting, something already in place for NHS Trusts. From April, most government departments will be required to take account of capital assets and their replacement in budgeting.

It added, however, that "it does not require a tremendous leap of faith to conclude that the PFI's more explicit attention to and better allocation of risk, increased scope for innovation, and focus on minimising full-life project costs should result in real cost savings."

Grey areas were likely to remain in assessing how much risk was transferred. But that deficiency could be exaggerated, the IMF said.

The IMF was clear, however, that the Treasury's 1992 claim that PFI would generate extra resources for public investment was illusory. "PFI never had the prospect of creating additional investment" except in the sense of "increased efficiency allowing more and higher quality services to be provided."



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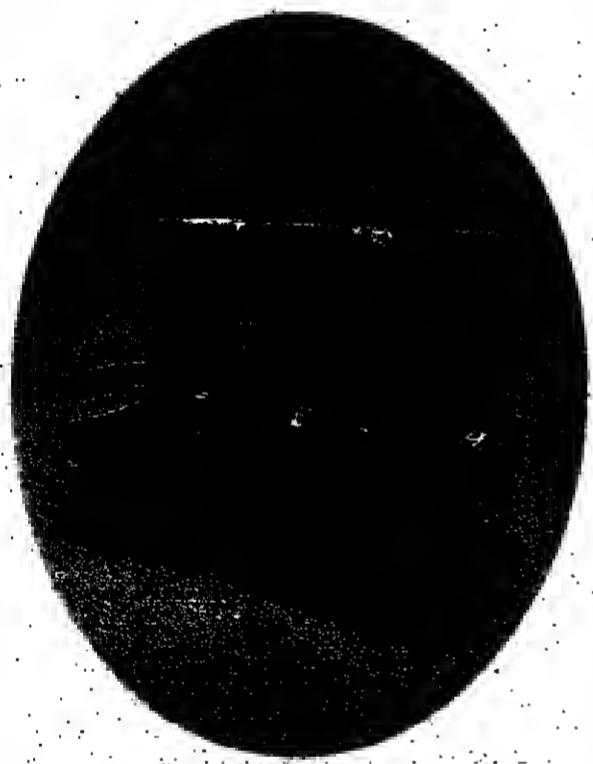
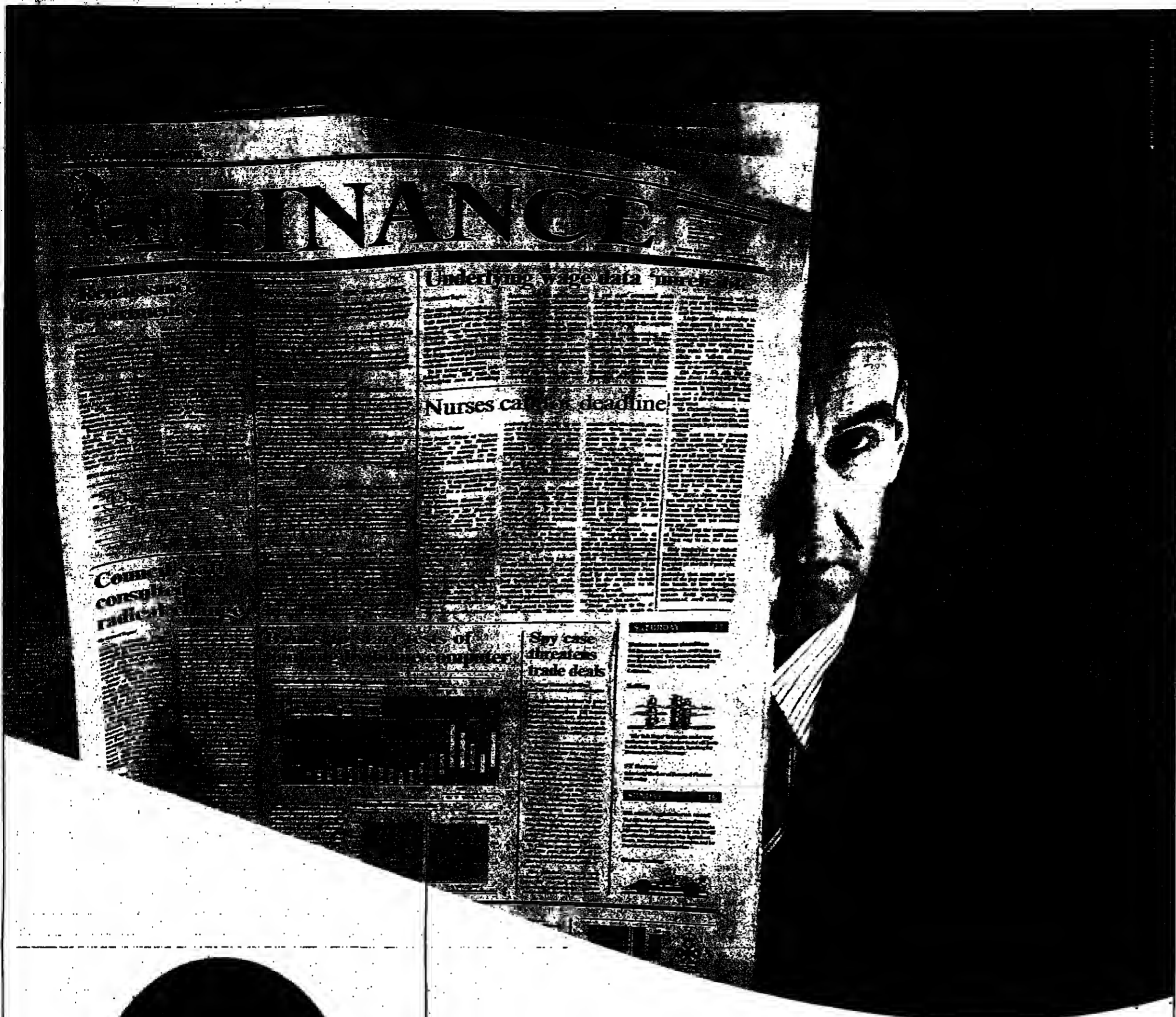
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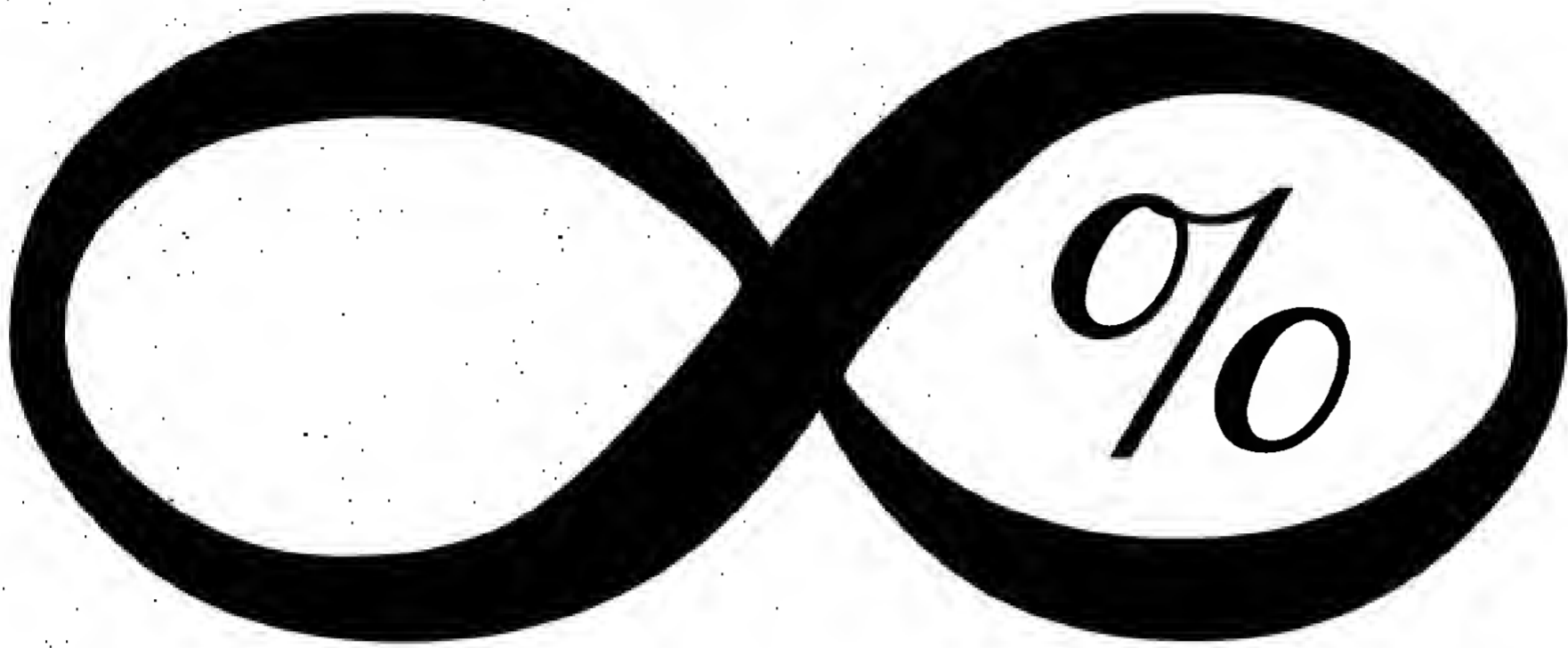
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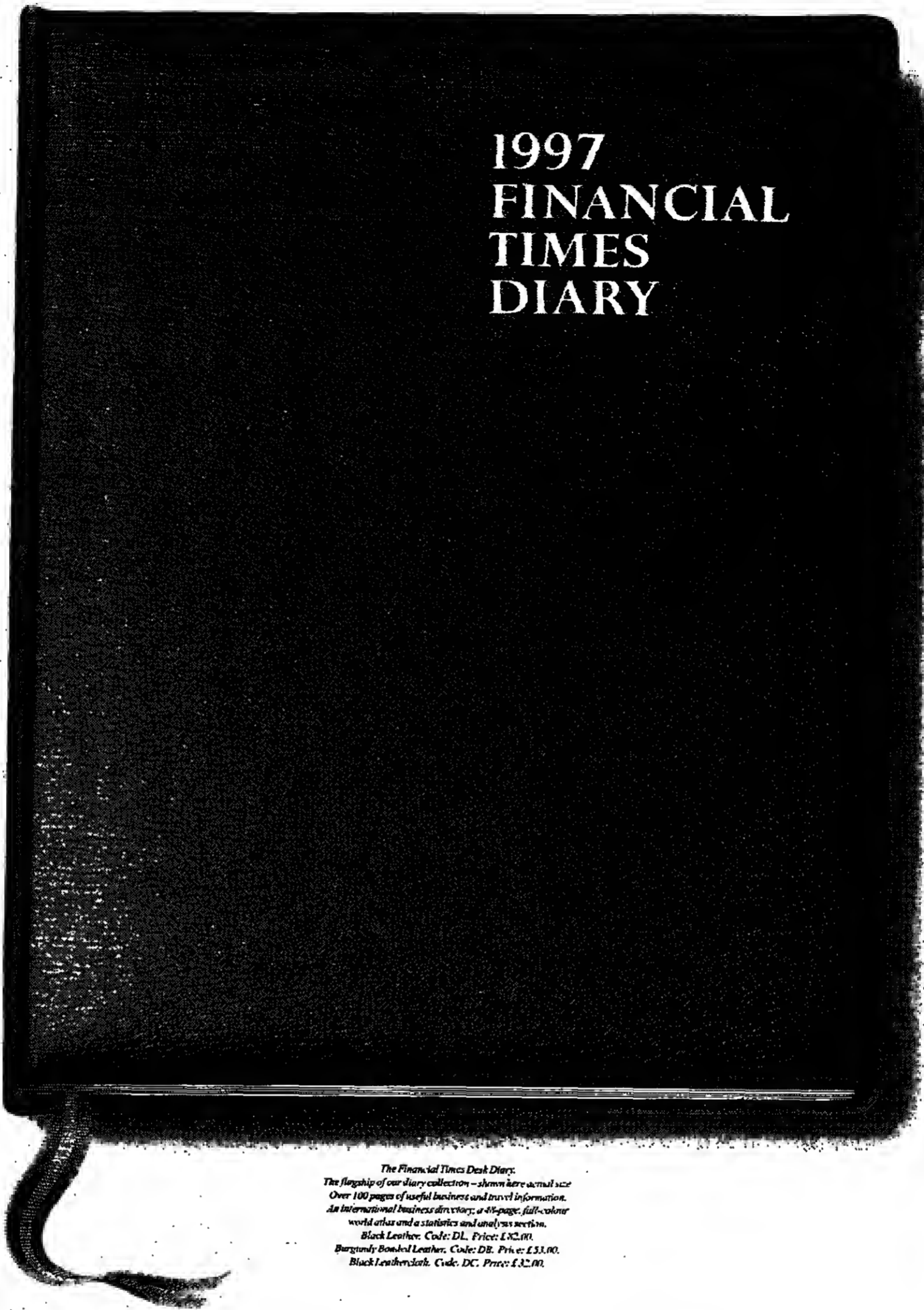
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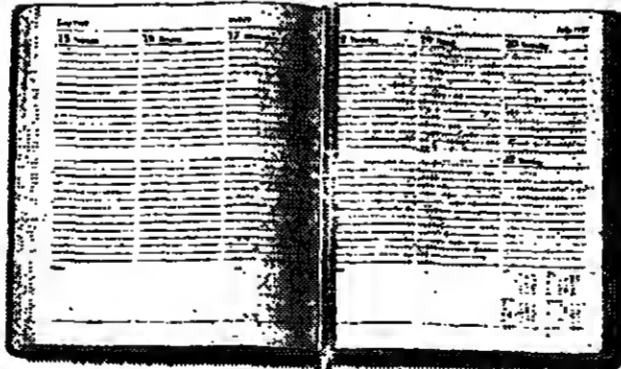
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BUSINESS EDUCATION

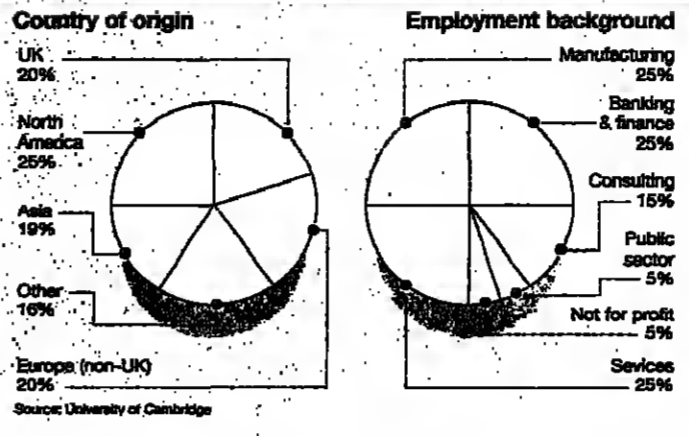
Cambridge has bowed to market pressures to offer a one-year MBA course, says Della Bradshaw

A judicial review

Time is money, runs the old adage. For some European business schools the truism is proving particularly pertinent. They are finding it increasingly difficult to persuade students to study on master of business administration (MBA) courses lasting longer than a year.

"Educationally it was a dream. For employers and students it was a nightmare," recalls Hendry. The biggest problem was that the sandwich course requires the full support of each student's employer. Judge found it was turning away very promising potential students because the employer was lukewarm in support.

A further impetus may well have been the decision by Oxford University to launch its first one-year MBA this autumn. Hendry believes the two courses will be very different, with Oxford falling back on its huge academic standing.



brands are very closely linked. I hope Oxford is successful. If it is not, it will reflect on us." Hendry expresses some concern already over the pricing of Oxford's MBA - just £12,000 compared to the £17,500 Cambridge is planning to charge for its one-year course.

Where the US lags behind

While it is commonplace for European business schools to offer one-year MBA courses, in the US it is the exception rather than the rule. The Katz school at the University of Pittsburgh, which pioneered the American one-year course as long ago as 1960 when it set up its graduate programme, has consistently stuck to the format. But elsewhere those American schools which are considering shorter courses are doing so alongside their longer MBA programmes.

The Katz school takes in 275 MBA students a year, out of 1,000 applicants. And by US standards the course is proving particularly attractive to overseas students - 38 per cent of students are from outside the US. Blair says the prime attraction is that students need only take a one-year career break and that reduces costs. The Katz MBA, he argues, is the best value MBA available in the US, a view recently endorsed in the rankings of US business schools produced by the US magazine BusinessWeek.

The course is particularly attractive to overseas students

DB

CONFERENCES & EXHIBITIONS

DECEMBER 10 Third South Africa - Economy, Investment & Trade Conference. Trevor Manuel, Thami Mazwai, Nicholas Oppenheimer, Sir Robin Rawlwick and Conrad Strasser are among the contributors in this timely and topical conference featuring strategy forums on many of the issues vital to the future of the Republic and the prospects of those doing business with it.

DECEMBER 11-12 Creating Customer Value with IT. This conference explores new ways of developing, delivering and managing systems and applications to enable and support customer-facing processes.

JANUARY 7/8 Understanding Treasury Derivatives. Training course covering risks in treasury markets and how derivatives can be used. Currency Options, SAFEs, FRAs, Futures, Interest rate swaps and related products.

FEBRUARY 11 Exotic Currencies of Eastern Europe. Discover the imminent opportunities and risks in the currency markets of the Czech Republic, Slovakia, Hungary, Poland, Ukraine and more.

DECEMBER 3-5 Auditing the Dealing Room (De-mythifying the Treasury Function). Three day training course designed specifically for internal auditors and financial institution inspectors charged with examining the on-going activities of their Treasury operation, covering cash and treasury derivative products, dealing procedures, limits/controls, elements of accounting and dealing management information.

DECEMBER 11-13 Advanced Credit Analysis Techniques. Evaluating, structuring and controlling complex facilities and portfolios - for experienced credit analysts and managers.

JANUARY 14 Managing the Year 2000 Transition. Companies are only now coming to grips with the potentially devastating consequences of the Year 2000. Managing this transition either from a computing or a business perspective could sound the death knell for a company.

FEBRUARY 19-20 BPM 97. This is Europe's leading annual conference and exhibition on the use of non-financial performance measures for driving business strategy.

DECEMBER 5 Building the Corporate Intranet. Intranet technologies are today delivering what open systems and web-based technologies have promised for almost a decade.

DECEMBER 17/18 Introduction to Foreign Exchange and Money Markets. Highly participative training course covering traditional FX and money markets featuring WINDEAL, a realistic PC based dealing simulation.

FEBRUARY 3-5 10th Lafferty Cards Conference for Europe & MEA. "Revolving at last - Cards for Profit". Do not miss this landmark event of the cards industry, which will address the key developments in today's business: Cards Strategies, Cards Marketing & Products and Cards Technology.

FEBRUARY 4-5 Corporate Intranet 97. Companies are increasingly using Intranet technology for their own use allowing employees to share information and collaborate on projects.

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BUSINESS TRAVEL

Travel News • Roger Bray

Delays take off

Bad tidings for business travellers: latest UK government figures suggest charter airlines are defying the curse of air traffic disruption, but the number of delays on scheduled flights is increasing again. In the second quarter of this year, only 78 per cent of scheduled services took off punctually from London airports, compared with 81 per cent in the same period of 1995. At provincial airports the figures were 80 and 82 per cent respectively though Birmingham, which dispatched 88 per cent of its

scheduled flights on time in both quarters, was a shining exception. "On time" means getting away not more than 15 minutes late. It was the second quarter running that the number of scheduled flight delays had risen. In contrast, overall delays to holiday flights were no more frequent than in the same period last year.

New services

Big expansion plans for Air Jamaica. It aims to start flying between New York and the Caribbean islands of Barbados, Antigua and St

Lucia in February. Spring should see the launch of flights to Atlanta and Los Angeles. The planned new services were held up originally by a complicated row over air safety. The Washington-based Federal Aviation Administration insisted that the Jamaican authorities sharpen up infrastructure before the airline could operate its newest Airbus A320 jets into US airspace. Criticism was not levelled at Air Jamaica itself, which was later given the green light.

Health check

Doctors and nurses have been on strike in Zimbabwe.

Visitors who may need emergency or specialist treatment should check the latest situation before travelling there. The dispute forced the closure of most casualty wards in the main hospitals of Harare and Bulawayo, and private clinics were reported full.

Taxing perks

Sweden's politicians are poised to send a chilling message to the business travel world next month. Parliament is due to vote on a tax proposal which would make travellers responsible for declaring any perks earned from frequent flyer or other loyalty

programmes while travelling on behalf of their companies - and later used for private gain. The Stockholm government has already decided to tax such rewards. From January 1, the levy will apply to all points earned on air tickets, hotel stays and car hire. Now it is proposed that employees who fail to come clean could be fined or even imprisoned.

Frankfurt surfers

Everybody's gone surfing. If the bar at Frankfurt's Lindner Congress Hotel is unusually empty, it could be that guests are busy tapping into the Internet. The

315-room hotel claims to be the first in Europe to provide a PC in every room.

More point

British Airways and Indian domestic carrier Jet Airways have started accepting each other's frequent flyer points. Members of BA's Executive Club programme may now cash in miles for free travel to 20 destinations across India. Passengers belonging to the Jet Privilege Club can use their points for international flights with BA. Jet Airways is about to launch several new routes, including a Delhi-Chennai (Madras) service.

Likely weather in the leading business centres

Table with columns for city (Tokyo, Hong Kong, London, Frankfurt, New York, L. Angeles, Milan, Paris, Zurich) and days of the week (Mon, Tue, Wed, Thu, Fri) showing weather icons and temperatures.

BEIRUT DAMASCUS Amman 0345 320100

Checking in at the airport is becoming an increasingly traumatic experience, writes Michael Skapinker

Contrary to popular myth, Canada is not boring. How Toronto manages to be so clean, calm and ethnically diverse while US cities a short distance away seethe and rot is a question that should interest even the most jaded travellers.

That Montreal, a French-speaking city, boasts a handsome monument to soldiers who fell in Britain's cause in the Boer war, is deeply fascinating.

No, what Canada is civil - which is how I almost missed my flight to London and discovered what every traveller knows: that when it comes to using an airport, there is nothing to match the trauma of the check-in queue.

Things can go wrong once you have your boarding pass. Your pocket calculator might set off the metal detector at security, your hand luggage might be turned inside out, there might be no seats in the departure lounge because sprawling backpackers are occupying three each.

But once you get through check-in, at least all the important questions have been answered. Have you been bumped from an overlooked aircraft? Will you get an aisle seat? Will you be upgraded? And, most important, will you make the flight?

I had arrived at Toronto airport an hour before departure - too little time, perhaps, but there were only two parties ahead of me in the Air Canada check-in queue.

The couple at the front had a problem: from what I could gather, the woman's passport had expired. Despite this, she seemed

Passengers held in check

to think she should be allowed to fly.

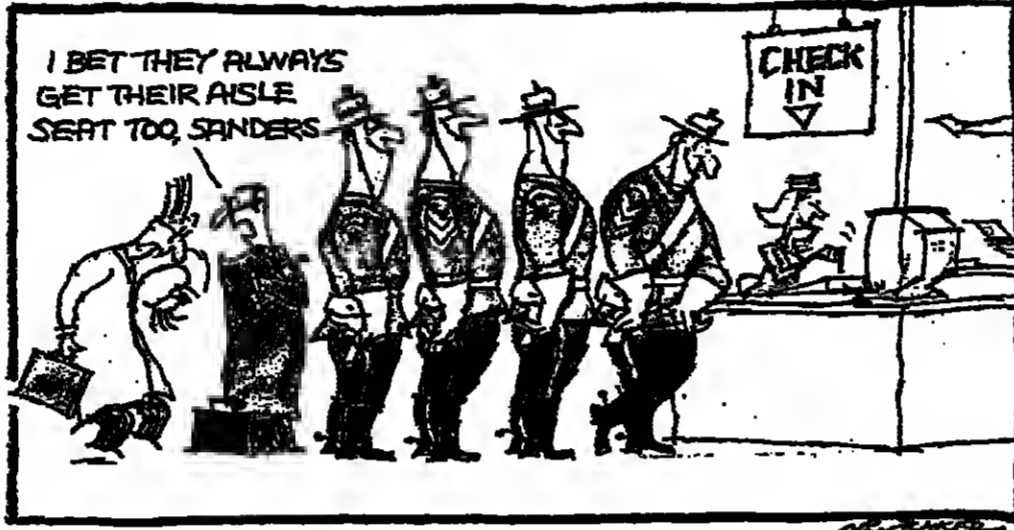
In other countries she would have encountered a range of responses, from an icy "I am sure you understand we cannot carry passengers who do not have valid passports" to being wrestled to the ground, manacled and marched out of the airport by a man with an automatic weapon.

Not in Canada. The Air Canada check-in clerk was determined to find a solution. She wandered along the other desks, consulting her colleagues. They knitted their brows solicitously.

The minutes ticked by. I was getting edgy. A long queue was building up behind me. Eventually, our check-in clerk returned, and, with many apologies, commiserations and promises to meet again, the couple were led to an office by an equally civil Air Canada functionary.

There was only one group in front of me now. They were a family of eight, all adults, but they could all be checked in together. They were, but there was a problem. They all wanted to sit together. The Air Canada clerk was the picture of compassion. She tapped away at her computer, searching for a way to seat eight people together on a crowded aircraft.

I began to fret even more. The man behind me, an American, started grumbling quietly. The Canadians looked on serenely. I could take no more. "We're going to miss our plane," I said loudly.



The Canadians shifted with embarrassment.

Another Air Canada clerk appeared, slid behind an empty desk and checked me in quickly without meeting my gaze. I ran for the gate. My last vision of this kindly country was of a woman crying in the departure lounge. A policewoman was stroking her hand.

I am not the only person to have felt anxious in a check-in queue. Sir John Egan, chief executive of BAA, the UK airports group, says his company's research shows that nothing upsets his customers more. "Check-in is a horrible process for most people," he says.

Long, slow-moving queues, computer breakdowns and strikes add to the problems. The most obvious answer is to arrive early. Airlines operating from BAA airports such as London's Heathrow usually specify that passengers should arrive two hours before long-haul flights, but even that is often not enough.

For a Boeing 747-400 flight, which carries more than 400 passengers, the queues often snake around the terminals hours before departure.

Increased security at many airports in the wake of the mysterious TWA Boeing 747 crash in July has made the queues even longer. Travellers flying from Israel's

Ben Gurion airport missed their flights this summer even after arriving three hours before departure.

What can be done? At Heathrow, which is hurrying at the seams, the airport has installed what it calls "cute check-in desks" at Terminals One, Two and Three. Cute desks are no more endearing than the standard variety: cute stands for "common user terminal equipment".

These are desks which do not belong to a particular airline but which are available for use by a carrier whose check-in queues are becoming unmanageable. Check-in staff can move into the desk when needed, put their air-

line's name on an overhead monitor and call over passengers from existing queues.

BAA is helping airlines to study their flow of passengers to help them predict the busy periods when they need to increase the staffing of their check-in desks.

The airport also broadcasts announcements for passengers from specific flights to pass through immigration as soon as they have their boarding passes to cut down on the number of people milling around the check-in areas. Barriers at check-in queues are used to prevent queue-jumping, which causes arguments and hold-ups.

Longer term, Sir John huddles with plans to eliminate the check-in queue entirely. Airlines are introducing ticketless travel in both the US and Europe, which should lead to more passengers checking themselves in by inserting their credit cards into electronic machines.

BAA wants passengers to be able to check in at their hotels before setting out for the airport. Virgin Atlantic has opened a check-in facility at the car park in Heathrow's Terminal Three. But allowing people to check in their luggage outside the airport carries security risks. Sir John admits off-site check-in will only really take off when effective bomb-detecting technology is available at a large number of sites.

In the meantime, most of us will still have to line up at the airport. Boeing of the US and Airbus Industrie, the European consortium, plan to build 550-seat aircraft. The check-in queues for those flights should be fun.

Rowdy in the skies

A drunken, knife-waving passenger forces an aircraft to make an unscheduled stop in Tennessee. A Saudi princess is accused of choking a stewardess on a flight to Boston. A passenger fights with crew members and tries to open a door, forcing an emergency landing in Ohio. AP reports.

What is going on in the skies? That question is being pondered by the US airline industry. Last week the Federal Aviation Administration issued an advisory circular to airlines dealing with the growing number of unruly passengers.

"We are seeing that [incidents] are more serious as well as more frequent," said Jill Gallagher of the Association of Flight Attendants. "We can only guess at the reasons."

The FAA's circular recommends that airlines establish a formal policy for such cases, including "zero tolerance" of passenger misconduct. Air crews should be encouraged to report all incidents, with law enforcement agencies called in as necessary.

"We will not tolerate any interference with the vital safety functions performed by crew members," Linda Hall Daschic, the acting FAA administrator, said.

CATHAY PACIFIC CHINA CONNECTIONS advertisement featuring a dragon illustration and flight information.

SPORT / ARCHITECTURE

Michael Thompson-Noel · Sport

Jet-setting Singspiel wins £1m Japan Cup

Jockey Frankie Dettori, 25, crowned a memorable year with victory yesterday in the 1 1/4-mile Japan Cup in Tokyo, the world's third richest horse race. Dettori was aboard the globe-trotting, Irish-bred, English-trained and Dubai-owned four-year-old Singspiel, who won by a nose.

Disappointingly, the French-trained Hellasio, winner of this year's Prix de l'Arc de Triomphe in Paris and hailed as the best Arc winner for years, was beaten into third place, 1 1/4 lengths behind the first two, in a dead-heat with Strategic Choice, another English-trained runner.

Singspiel, sent off at odds of 6.6-1, scraped home from the Japanese-owned and trained Fabulous La Fouine. This was the first win by an English challenger in a decade, and was worth the equivalent of £1.07m, doubling Singspiel's earnings.

Singspiel is a veteran of the jet-set circuit on which the world's top racehorses compete. He won the Canadian International for owner Sheikh Mohammed bin Rashid Al-Maktoum at Woodbine in September, followed by a gallant second to Pilsudski - also trained by Michael Stoute at Newmarket - in the Breeders' Cup Turf race in Toronto.

Stoute, enjoying a golden autumn, said: "My colt is accustomed to such [close finishes]. He's been in six photos and lost five. Today was his day."

Dettori, who dealt UK bookmakers one of their costliest ever blows by riding all seven winners - an unprecedented feat - at England's Ascot racecourse eight weeks ago, said: "It's been one of the best days of my life. The Japan Cup is very famous, very prestigious. It was a great battle and a wonderful race."

Arc winners have a poor record in the Japan Cup, and Hellasio's jockey, Olivier Peslier, reported that his mount had been a little below par. In addition, the favourite had "seemed worried about the whips of other [jockeys] as he moved through the crowded pack".

Fabulous La Fouine ran a fine race in defeat, and Strategic Choice, another much-travelled animal, also performed with credit. Sainly, the Melbourne Cup winner, was scratched earlier yesterday, leaving 15 runners. The gelding, regarded as the best racehorse in the southern hemisphere, had a difficult 14-hour trip from Australia and developed a fever.

In total value, the Japan Cup is topped only by the Dubai World Cup and the Breeders' Cup Classic.

The four-year-old Singspiel had himself run a fever since arriving in Japan, but Dettori said the colt's training and conditioning had been good enough to get the horse to the starting line in excellent shape. Dettori said Stoute had advised him about Singspiel's acceleration, telling him: "Don't push that button too soon. It is a very big button."

Japan's Bubble Gum Fellow, the second favourite, failed to finish 13th, while US entry Awad was fifth for the second year running. Third favourite Pentire, trained in England, was 8th.

Yesterday's performances by the English-trained runners are another reminder that top-level horse racing is a thoroughly international business, and cast further doubt on the justification of the British Horseracing Board's appeal for another reduction in the rate of off-track betting tax in tomorrow's UK Budget.

The board maintains that British racing offers owners dismal returns on investment compared with returns in other prominent racing countries. But the arithmetic with which the board argues its case for a cut in betting tax ignores the large sums won by British-trained raiders in foreign races.

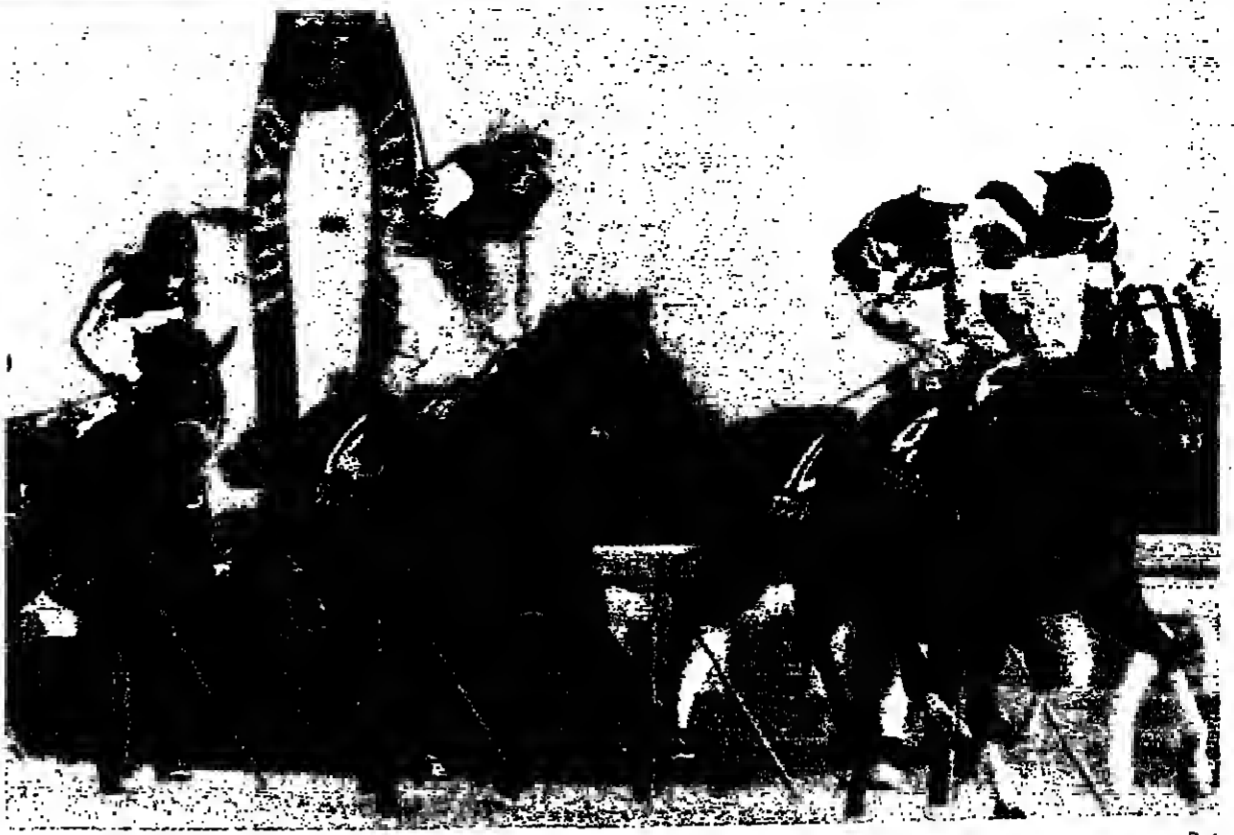
On that basis, Singspiel's valiantly-fought victory yesterday may be seen as counterproductive by some of UK racing's greediest owners and bureaucrats.

Women's rugby is said to be Britain's fastest growing sport, which sounds ominous to those of us who think men's rugby is bad enough, without women galumphing around thuggishly.

Nevertheless, I have received a fax from Caroline Griffiths of Bread for Life, a body that promotes sales of bread in the UK, boasting that whereas there were only 12 female rugby teams in Britain in 1983, last year there were at least 220 clubs, many with three, four or more teams, and that the number of UK females who now play rugby regularly is about 10,000.

Bread, for Life has announced what it calls the biggest ever sponsorship of women's rugby - worth more than £100,000 over three years - and is an official supplier (of bread, presumably) to the England squad.

"Our aim," says Griffiths, "is to raise the profile of the sport and to encourage more women to take part. Traditionally, women's rugby has fought for financial survival and recognition in what is considered to be a male



The ubiquitous Frankie Dettori on Singspiel (centre) moments after crowning a memorable year in the Japan Cup yesterday.

domain. If you are interested in running a feature on women's rugby... please do not hesitate to give me a call to discuss your ideas further."

I have seen some irritating faxes in my time, but nothing to rival Griffiths'.

China is not pleased by claims in the west that many of its sporting achievements of recent years were drug-fuelled. Yet its efforts to combat these claims sound prosaic, to say the least. What China needs is a

cutting-edge, globe-girding marketing outfit to help it achieve rehabilitation. Instead, last week it signed a four-year agreement with Norway, if you please, under which Chinese and Norwegian athletes will be tested for drugs when competing in each other's countries.

According to the official Xinhua news agency, China's and Norway's sports bodies will also exchange information on combating doping.

Yang Tianle, head of the sports ministry's medical committee, said such co-operation should help "some

western countries to cast away prejudice on China in the fight against doping". China has signed similar agreements with Australia, Canada and Sweden.

China's sporting rivals have repeatedly claimed that drugs played a crucial role in Chinese sporting successes in recent years, despite indignant denials. Seven Chinese swimmers were banned for failing drug tests just before the Asian Games in Hiroshima in 1994.

The Chinese Olympic Committee tested 2,000 athletes this year, with some

stars subjected to seven or eight tests (mostly spot checks), the committee's vice-president, Lou Dapeng, says. Lou says long-distance runner Wang Junxia was tested 12 times in the approach to the Olympics in Atlanta, where she won gold and silver, while swimmer Le Jingyi, who won a gold and two silvers in Atlanta, was tested 10 times.

That is all very well. But China has far to go before its critics are convinced its pill-popping deys are behind it. When it comes to drugs, mud sticks.

Architecture can be seen as a full-scale version of performance art. But it is a performance that lasts and can be almost permanent. In Tokyo one of the world's great architectural performances has just been completed. Rafael Vinoly, a leading American architect, won the competition to design the International Forum on seven acres in the heart of Tokyo. The new civic centre he has produced may be the eighth wonder of the modern world.

Rafael Vinoly was in London last week. His practice is in New York, Tokyo and Buenos Aires but he was born in Montevideo, Uruguay, and his thinking about

Colin Amery · Architecture

Vinoly lightens Tokyo's dark heart

architecture is in tune with the general revival of interest in inner cities and the belief that architecture can redeem the damage of the last decades.

The forum, to be officially inaugurated early in 1997, is in every way a giant. It has been compared to the Sydney Opera House and to Big Ben in London, not just for its size but also because it gives Tokyo a civic, symbolic and public heart. When you fly

into Tokyo, especially at night, you see a city with a heart of darkness. This is the Imperial Garden surrounding the palace of the Emperor; moated, dark and forbidding. Around it are the dense, brightly lit streets where neon advertising has become an art form. Tokyo is the Manhattan of the east. Now it has its own Lincoln Centre.

It has four performance halls for dance, concerts and theatre.

There is an enormous conference centre and beneath are the interchanges of 11 underground railway lines. The complex is much more a piece of 21st century urban planning than merely a piece of architecture. Vinoly has given a great indoor civic space to a city that lacked one.

In photographs the great hall, eye-shaped on the plan, is the equivalent of a new Crystal Palace: staggeringly beautiful and

incredibly tall. You can see just by looking at the plan why Vinoly beat 385 other entrants in 1998. He put his four auditoria on the long street side of the site, and then he stretched the ellipse of the glass hall along the line of the neighbouring railway tracks.

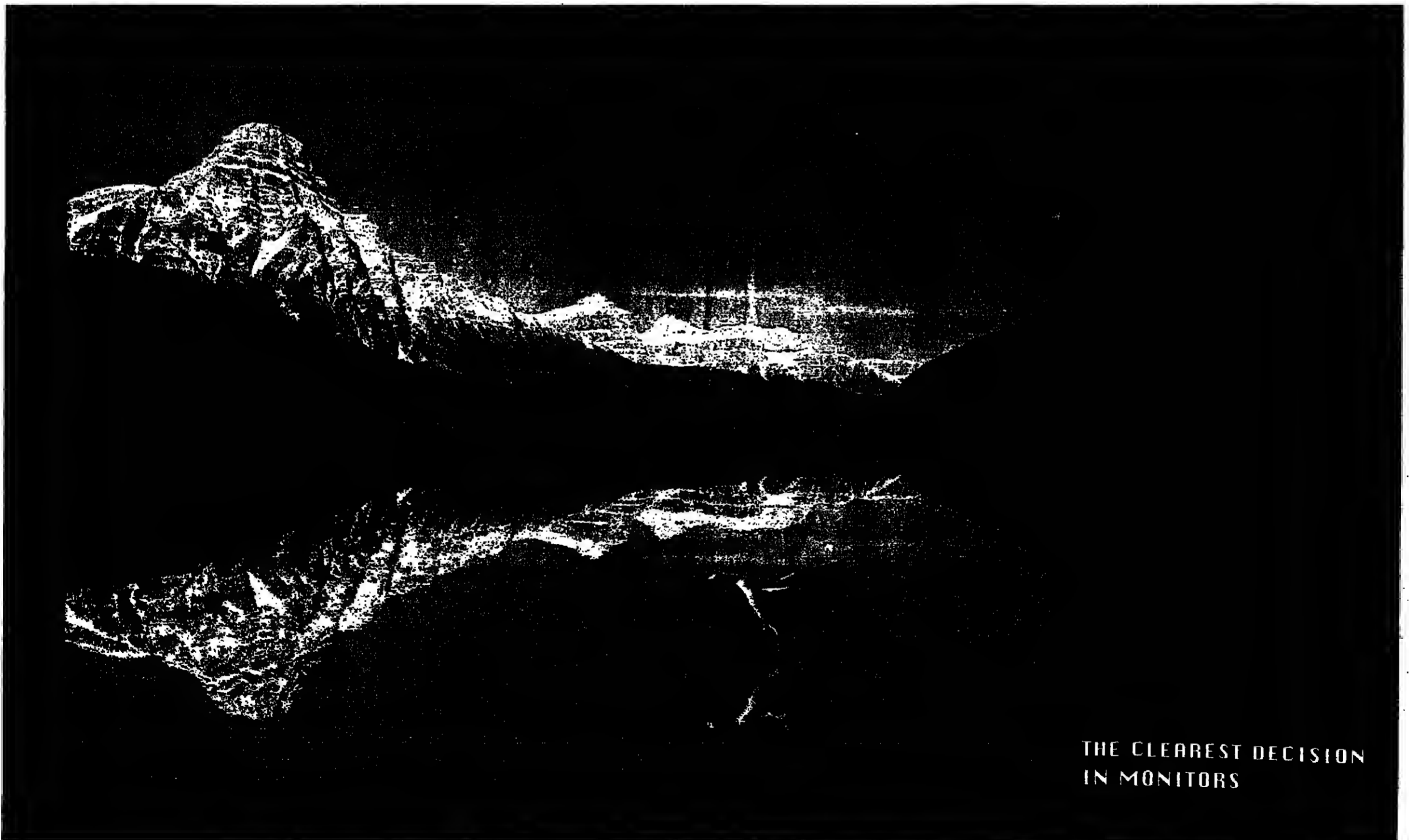
This glass hall has been designed to deal with the problems of an earthquake-prone city. Structurally it depends upon a great spine that runs the length

of the hall like a skeletal truss, designed with the engineer Kunio Watanabe. The hall is seven stories high with dramatic ramps and walkways crossing it.

Vinoly admits that the brief was imaginative. He would also be the first to admit that the client, the governor of Tokyo, made it his personal project, and secured the \$1.5bn (£900m) funds. The governor's aim was to create a building that could reflect

the status of Tokyo as a great international trading centre. It was also to be a place of passage. Between the glass hall and the auditoria there is a fine pedestrian plaza planted with trees and lined with shops and cafes.

Vinoly has enjoyed only limited fame until now. He does not indulge in the crazed excesses of the Deconstructionists or the feeble jokes of the Post Modernists. Instead, he has made the drama of structure and the intelligence of logical planning into an art form. Perhaps only in Japan would a city authority be able to impose an architectural discipline on such a large area. Other cities should be talking to him.



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COMMENT & ANALYSIS



A deep debt of gratitude

After six years in Washington, Michael Prowse reflects in his final column from America that Europe has much to learn from the US

On vacation in Switzerland this summer, I was struck by the comments of the widow of a senior Swiss diplomat. Having lived in numerous countries, she had no hesitation in nominating Americans as the kindest people in the world.

The Swiss at the lunch table looked at her in disbelief. Americans the most kind? I could almost hear their thoughts. The US is the land of assault rifles, race riots and crumbling inner cities. It is where Newt Gingrich, Republican Speaker of the House of Representatives, almost succeeded in abolishing welfare. How could she talk of kindness in a country that by European standards is barely civilised?

The Swiss lady was not perturbed. Americans as individuals, she said, were far more likely to help you than the people of any other nation. They had dug her out of snowdrifts and cooked meals for her, which was more than any of her Swiss neighbours would do, she said.

After six years in Washington, I wholeheartedly endorse her comments. My experience of Americans is equally positive. As individuals they are kind, generous and - even more refreshing - optimistic. They think everything is possible, which marks a pleasant change from the tired cynicism of the British.

Yet for reasons I do not fully understand - ignorance and envy are only part of the explanation - the US has a much worse reputation abroad than it deserves. Commercial television and cinema present a grotesquely distorted image of modern American life. The tendency of foreigners to bash the US is encouraged by the very openness of the society, which ensures that every possible vice - from political corruption to low school-test scores - is paraded before the world. Other countries try to hide their sins; in the interest of progress, Americans take a delight in exposing theirs.

What is lost in the lurid stories about America's failings is the fact that the great bulk of citizens are economically secure, hard-working, law-abiding and God-fearing. Charitable giv-

ing and church attendance - reasonable, if not perfect, indicators of moral virtue - are higher than in almost any other advanced nation. From the beginning, the American story has been one of dazzling success. The Declaration of Independence - philosophically inspired by John Locke, the great English libertarian philosopher - was a milestone in human progress. Little more than a century after its founding, the US had overtaken the rest of the world economically. More important, it had guaranteed for its people freedoms undreamt of elsewhere. And it had all but eliminated the horrible class and status distinctions which still disfigure European and Asian societies.

Now consider what the US has done for the rest of the world this century. It defeated Nazi Germany (the UK would never have survived without American support) and crushed militarism in Japan. It contained communism in the former Soviet Union and eastern Europe for half a century - long enough for these cruel and inefficient regimes to collapse of their own accord. It donated huge sums of aid to western Europe and developing countries and helped these regions develop economically by giving them invaluable trade concessions. It is doubtful whether any other nation wielding the US's power in 1945 would have been half as generous.

Through its commitment to capitalism, the US ensured the survival of a broadly free-market global system during decades when nearly all of Europe's intellectuals were bitterly opposed to the very concept of laissez faire. Today even such bastions of regulation as Germany and Sweden are cautiously implementing their own Reaganite reforms.

You would think these

immense gifts would have sparked a sense of gratitude - even reverence - in other nations. But no. Most of the time there is nothing but snide criticism. When the great European nations bowed themselves utterly incapable of ending the war in Bosnia, the US stepped in and brokered a peace. It was entirely typical that the US, out of moral outrage for the carnage, should assume a responsibility that ought to have rested firmly on European shoulders.

But were Europeans properly grateful? Of course not. After the Dayton accord last year, the ambassadors from Germany, France and the UK appeared on US television. Instead of admitting their nations' diplomatic ineptitude, they tried to claim that European leaders deserved credit for the peace agreement. It was

a pathetic spectacle.

It is the same in the economic sphere. Every American achievement is dismissed or distorted. The US has 5 per cent unemployment while continental Europe has 11 per cent. A sign that the US economy functions better? Of course not. Low-paying jobs in the US, the argument runs, are simply a disguised form of unemployment - a sign of the society's meanness. How absurd. There is a world of difference between having a job and being dependent for life on the state.

The statistical evidence shows great mobility of incomes in the US: only 5 per cent of those in the bottom fifth of the income distribution in 1975 were still there in 1991. Many of those taking the low-paid jobs are immigrants who rapidly achieve a lifestyle unthink-

able in their countries of origin. Such rags-to-riches stories are rare in Europe for two reasons: immigration is far more tightly controlled; but even if it were not, wages are kept artificially high, preventing the low-skilled from gaining a foothold in labour markets.

Much of the criticism of the US is misplaced because it is tacitly assumed that Americans have exactly the same values as everyone else. They do not. Take the issue of income distribution. Many people in Europe seem bitterly resentful of disparities in income and wealth. Sometimes it seems that people would be willing to take from the wealthy even if nobody else gained anything as a result. A flat income distribution is seen as intrinsically desirable. Similar attitudes may be found among the US intel-

lectual elites, which are decidedly left-of-centre. But society is not suffused with envy to the same extent as in Europe. Americans as a whole do not resent the rich. They hope to become like them. They care more about opportunity than equality. The high salaries of chief executives - and they are much higher than in most other industrial countries - do not attract anything like the ire seen, for example, in the UK.

In popular attitudes toward government, one can detect even more profound differences. As some readers have noticed, I have become steadily more attracted to a libertarian political philosophy. This is not altogether surprising given my place of residence: libertarianism has always had deeper roots in the US than elsewhere. The nation was founded in a

revolt against government and taxation - that imposed by King George III.

The framers of its constitution were, above all, concerned to constrain the power of government. The fear that government - even a democratic government with a popular majority - may constitute a threat to the liberty of some or all of the people is deeply felt in the US. Most other peoples, by contrast, seem entirely oblivious to this danger; in too many countries a majority of the electorate is regarded as having a perfect right to enact any laws it pleases.

I am often appalled by the way libertarian policies are misrepresented. Newt Gingrich, for example, is far from being a libertarian. He proposed a tiny reduction in the power and scope of the federal government - nothing that in any sense approached the classical liberal ideal of a "night-watchman" state limited to the provision of national defence and law and order.

Yet he was chastised for favouring a selfish, atomistic society. Selfish? Atomistic? Was everyone living before 1929 (when the US federal government accounted for only about 3 per cent of gross domestic product) a selfish atomist? This is not the usual description of George Washington, Thomas Jefferson or Abraham Lincoln. Yet all three would rightly have been horrified by the growth of all levels of American government in recent decades, to the point where it absorbs about a third of national income.

Libertarians, contrary to the popular caricature, are not selfish atomists. They are better characterised as passionate believers in social co-operation and community. They understand that individuals have to interact with each other in order to survive and prosper. This is precisely why

they are such strong backers of the free market, a linchpin of civil society.

The market, after all, is nothing other than a network of voluntary transactions between individuals. Trade occurs only if both parties expect to benefit from a transaction. It is thus by definition welfare enhancing. The same cannot be said of government which - through taxation - forcibly commandeers the resources of some individuals in order to give to others.

I like libertarianism because it is non-coercive and non-paternalistic. It is the only political philosophy that treats all adults equally. Why? Because it is the only philosophy that says that particular groups of adults - say politicians elected by democratic majorities - have no right to impose obligations, such as tax burdens or military service, on other adults.

The libertarian motto is that everything must be achieved through consent. Not just consent at the ballot box every four years, but continuing consent. I make a contribution to your welfare if and only if I agree to do so. And vice versa. What more adult way can there be of running society?

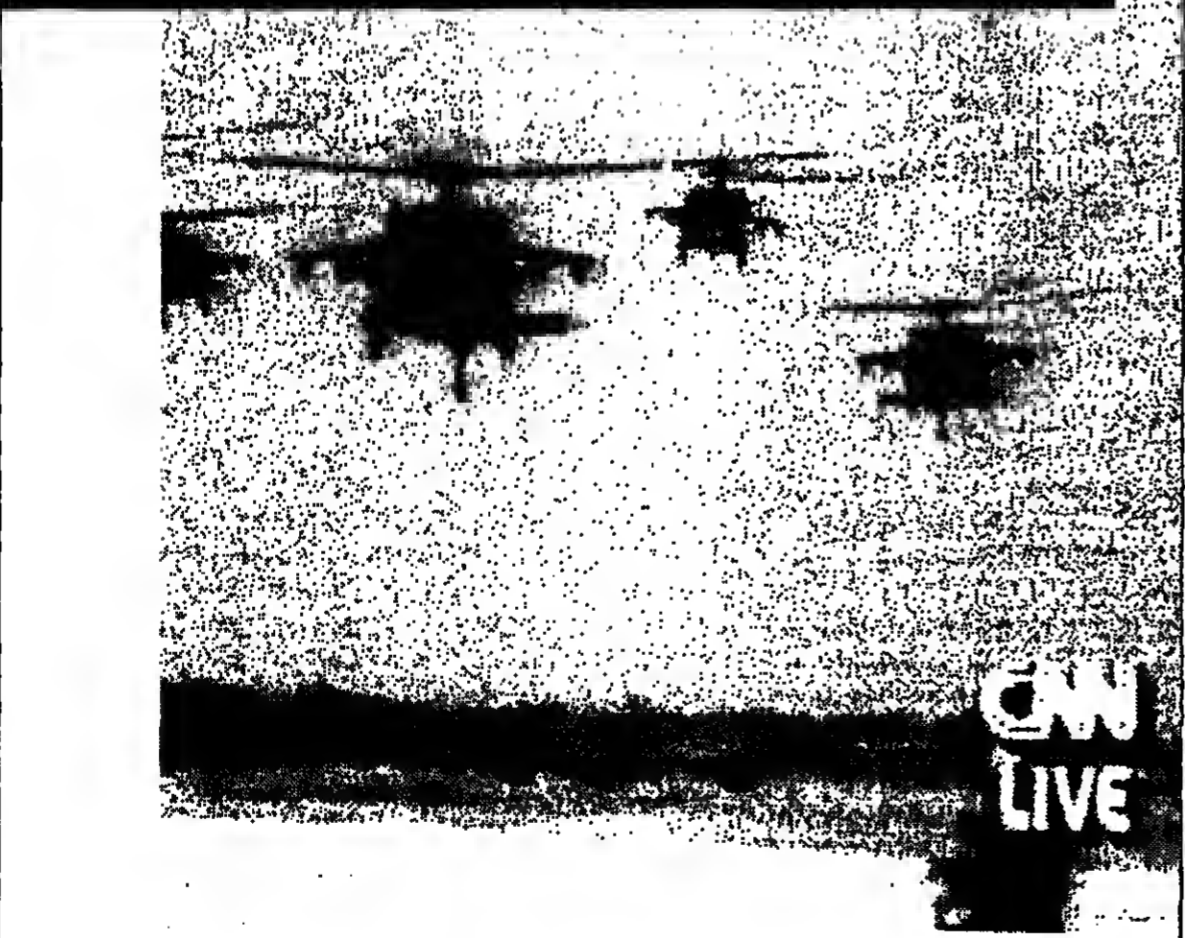
Such principles are not, of course, wholly respected in the US. But I have come to respect America because it is more libertarian in its fundamental values than other societies. And the nation's greatness lies principally in this commitment to the freedom of individuals. Nothing else accounts for its extraordinary dynamism, for its breathtaking innovation in every field from science and culture to business and sport.

As this is the final column I will write from Washington, I am happy to record here a debt of gratitude to America and Americans. Had I not moved here in 1990, I suspect I would have remained trapped in the outdated statist mentality that still holds sway in Europe. I would have been alarmed rather than cheered by the decline of the bureaucratic welfare state.

As it is, I feel fully prepared for what I believe will be a libertarian 21st century. It is Europe that is going to have to change, not the US.



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Italy's Euro-tax not vital for Emu

From Mr A. Eichholzer, Mr M. Giannini and Mr F. Brugnoti.

Sir, We believe that your comments of November 20 ("No to the fudge romana") about the Italian "Euro-tax" are missing the point.

We completely agree with you and with Mr Alexandre Lamfalussy, president of the European Monetary Institute, in defining convergence as "the ability to maintain or keep an effort going continuously", and you are definitely right in saying that the Euro-tax does not "improve the underlying state of public finances".

But what you are confusing are the real aims of the Euro-tax. The Euro-tax is not about the stabilisation of the government debt, simply

because the Italian public finances are already converging. Italy has the largest primary public surplus in Europe (5 per cent of gross domestic product) and, even without the Euro-tax, the government deficit will have almost reached the Maastricht criteria of 3 per cent of GDP in 1998. And, most important of all, Italian inflation has already dropped to the "European" level of 2.5 per cent.

In these conditions, the Italian public debt is perfectly sustainable. Consequently, the "Euro-tax" is only a negotiating tool designed to increase the chances of Italy participating in Emu.

The German government, the Bundesbank and the EMI

are saying that the Maastricht criteria for deficit is 3 per cent in 1997 and not "3 point something per cent". The Italian government and the Italian tax payers (LS,500bn from income tax is not a "scherzo" during an economic slowdown) are giving them 3 per cent in 1997 (plus a stable debt).

Please don't confuse objective public debt stabilisation with the political manoeuvring needed to make Emu acceptable to public opinion in Germany (3 per cent is 3 point zero per cent).

Alberto Eichholzer, Mario Giannini, Flavio Brugnoti, via San Pio V, 29, 10125 Turin, Italy

Policy for the UK's poor performers

From Professor George Bain.

Sir, Your report on the shortsightedness of many British companies ("Manufacturers are warned on weaknesses," November 18), confirms the findings of the Commission on Public Policy and British Business. While we have been impressed that the best British companies are able to compete on the world stage, it is clear that the UK suffers from poor average performance because of a long-tail of underperforming companies. We found strong links between poor corporate performance, a failure to invest sufficiently in people and capital, and a reluctance to take the time to cement

long-term relationships with key investors, suppliers and employees. We believe that business itself must shoulder the main responsibility for dealing with these weaknesses, though government should also play its part. One contributory explanation we unearthed for the UK's relative under-performance, not highlighted in the Ingersoll Engineers report, was the dearth of inter-company networking in the UK compared with its main competitors. This means that small companies do not combine to develop capabilities, and management best practice is disseminated only very slowly among UK companies.

Indeed, many underperforming companies do not even know how bad they are.

In our report on the future of UK business policy, due out in the New Year, we make certain policy recommendations to encourage far-sighted management, including a wholesale shift of policy to stimulate greater inter-company networking.

George Bain, (chairman, Commission on Public Policy and British Business), principal, London Business School, Sussex Place, Regent's Park, London NW1 4SA, UK

Pragmatists uncertain of what should be controlled

From Mr William R. Hutton.

Sir, Edward Mortimer's article "Shades of meaning" (November 20) identified many of the definitions the political terms left, right, conservative and liberal have taken on over the years.

One important variant he missed which may add those "eager young conservatives from eastern Europe" he was trying to help was identified

by Ayn Rand. She found that conservatives (at least of the American variety) tended to support economic freedom: in business, in wealth, in property rights, in the material realm. At the same time, these generally religious people tend to support governmental controls of the intellectual realm (censorship, mandatory prayer, morality laws, etc.).

Liberals take the other

side of this false soul/body dichotomy. They tend to allow intellectual freedoms, while controlling every aspect of the material realm. Rand identified the conservatives and liberals as "mystics of the spirit" and the "mystics of muscle" respectively - each controlling that half of the false dichotomy that they found philosophically important.

From this unique perspec-

tive I have gone on to infer that pendulum-swinging middle-of-the-road pragmatists, so common today, can then be seen to be the ones who don't know what to control next.

William R. Hutton, 2146 Sunnyvale Drive, Oakville, Ontario, Canada L6L 1W7

COMMENT & ANALYSIS

FINANCIAL TIMES

Number One Southwark Bridge, London SE1 9HL
Tel: +44 171-873 3000 Telex: 922186 Fax: +44 171-407 5700
Monday November 25 1996

Much ado about the lira

The lira's re-entry into the European exchange rate mechanism ought to have been a relatively straightforward affair. The European monetary committee would meet on Saturday, there would be brief debate - a lira here, a lira there - then home in time for dinner. Instead, there was a weekend of ungraciously squabbling over the details, and the symbolism, of Italy's re-entry.

At the time of writing the outcome of yesterday's emergency meeting of European finance ministers was not known. But the fact that the meeting had to be held at all was evidence that several countries, including Italy, had grossly exaggerated the importance of the decision. There are three criteria by which to judge the weekend's events. The first is whether re-entering the ERM, in and of itself, is likely to make a large difference to Italy's attempts to stabilise the economy and lock in steady, non-inflationary growth.

Tory tangle

Kenneth Clarke is working overtime. The chancellor of the exchequer tried to calm the nerves of the Conservative party on Friday with a soothing (and highly unusual) letter to all MPs, reassuring them that no binding decisions would be taken about monetary union before a proper debate in the House of Commons.

stability pact which already appear to have been accepted. Mr Clarke himself can hardly have much to add to Friday's lengthy letter in his statement this afternoon. But he will be able to put his case across in a much more bouncy way, and to engage in a little banter when it comes to questions. That may be enough to win over all but the most hardened Eurosceptics for the time being.

After Mobutu

Western powers which 10 days ago were all set to send troops to eastern Zaire have good reason to be thankful for the dynamism of their Rwandan backers. The latter's blitzkrieg against Hutu militiamen and the former Rwandan armed forces at Mwandiga triggered a massive return to Rwanda of some 500,000 of the Hutu refugees the putative international force had been going to help.

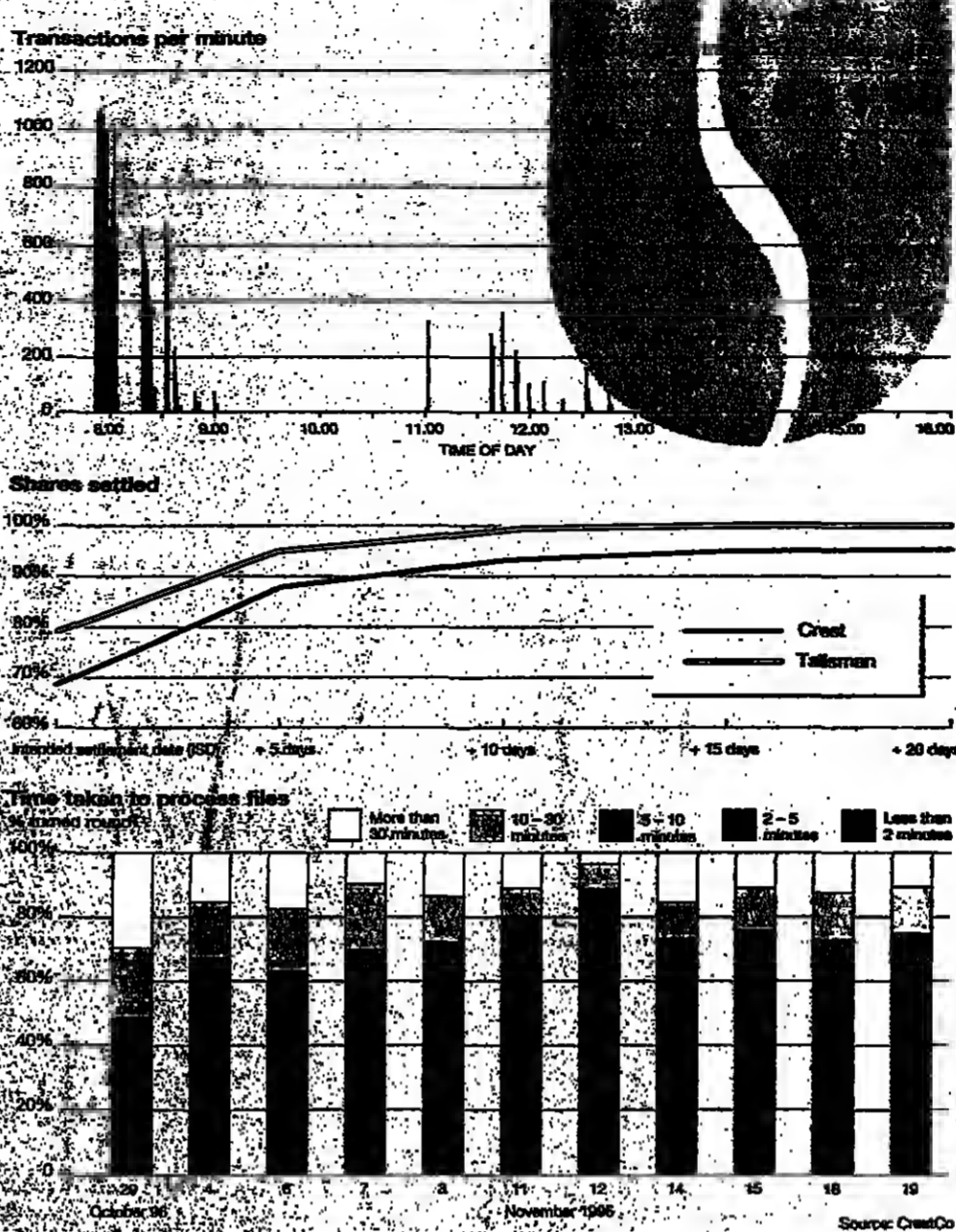
engagement of the proposed force. Recent history suggests that, in these circumstances, it would be much better not to send one. The human needs of the refugees are, of course, all too real. Emergency supplies of food and medicine are needed to prevent many of them from dying from malnutrition or epidemics. But to give them an incentive to go back, those supplies should be sent as near as possible to their original homes in Rwanda (and in some cases Burundi) rather than sending them to Zaire which would encourage the refugees to stay put.

Paradise postponed, again

John Gapper explains the problems that threaten to delay the introduction of London's new share settlement system

Mr Glen Cooper is peering perplexedly at a computer screen that is telling him something is wrong. As office manager of Walker, Crips, Weddie and Beck, a small private client broker, Mr Cooper's job is to settle trades agreed in a dealing room nearby. That means he must struggle with vagaries of Crest, the UK's new electronic share settlement system.

Crest: how serious are the problems?



deteriorated this month. Mr Saville has antagonised some participants by emphasising the difficulties of small brokers. All sorts of firms have had problems, big and small, and it is not helpful to blame us. Crest's managers should button their lips," says one partner of a small firm.

The settlement directors of big investment banks have taken a retaliatory step by calling for CrestCo to agree targets for its own performance. That would mean that if the computer that sits at the heart of Crest worked too slowly, CrestCo could be fined. Mr Saville says he would agree to such standards, but only when the system has bedded down properly.

This spat is symptomatic of a wider difficulty with Crest: the lack of standards and discipline. The Stock Exchange can exert tighter control of Tallisman, because there is an agreed disciplinary code. However, CrestCo is only now approaching the point of having a code. It is not likely to be possible for errant users to be fined until next spring.

Crest's users are not the only ones who have their doubts about how CrestCo is handling the problem. City regulators say privately it has been hard to obtain the amount of information they want about how Crest has worked. They have been collecting their own data for the past two weeks by asking firms to submit daily returns by fax.

Furthermore, some of the apparent improvement in Crest over the past weeks can be attributed as much to its users lowering their expectations as to Crest working better. CrestCo's managers have asked firms to stop making inquiries in the middle of the morning. The effect is to improve performance figures, but at the expense of firms obtaining the data they want.

Similarly, many private-client brokers have encouraged customers who hold shares in paper form to accept settlement 10 days after they trade, rather than the five days now used in the wholesale market. That reduces the risk of unsettled transactions - but only by slowing the process.

Such frustrations have been commonplace since October, when Crest started displaying signs of strain. A backlog of 30,000 unsettled transactions has accumulated, and the delays started to have such an impact on its ability to process transactions this month that its board agreed to delay the transition of the shares of 17 big companies on to the system.

By April, all 3,000 quoted UK shares and related securities were due to have moved to Crest from Tallisman, the paper-based system run by the London Stock Exchange. This afternoon the CrestCo board is to meet again to consider further action. The phasing-out of Tallisman could now be delayed for up to three months to ease the strain further.

Alongside these problems, Crest users allowed a backlog of 30,000 unsettled transactions to build up. The proportion of shares settling on the intended day has now risen to 70 per cent - but this compares with 80 per cent in Tallisman. Crest still lacks a mechanism similar to one in Tallisman that allows the Exchange to settle outstanding bargains itself.

OBSERVER

Dole loses soul mate

It is a sad day for the Democratic Party and Clinton Administration. But if the wheels for the presidential campaign have been set in motion, it is not clear how long it will take to get the machine started.

Crash landing

Lordships of the House of Lords got a shock last week when they learned that the Government had decided to allow the sale of the Channel Tunnel.

Nabucco nicked

Umberto Bossi's successionist, Va' pensiero, sull'alt d'or, no 'i poso sui cavi e sui colli'. If Verona magistrates need to brush up on the great refrain in Verdi's Nabucco they now have ample opportunity. Among the rag-bag of possessions, 20 photocopies of Va' Pensiero have been seized during a raid on about 20 homes of members of Umberto Bossi's successionist

Cut the chat

For many years the General Agreement on Tariffs and Trade (GATT), succeeded last year by the World Trade Organisation, was long derided as the General Agreement to Talk and Talk. Now, the Asia Pacific Economic Cooperation (Apec) talks in Manila are emerging as a garrulous challenger to the memory of the Geneva-based trade body.

100 years ago

S. America's Blackest Sheep Colombia is one of those South American States which could afford to deal honourably with its foreign creditors, but has for a lengthened period declined to do so. She is one of the blackest sheep in the South American flock. For nearly 17 years her foreign debt has been in absolute default. But Colombia has not escaped the consequences of her dishonourable conduct. Her development has been severely handicapped by want of transport facilities; and until she comes to some just arrangement with her creditors, it is idle to expect that European capital will assist in its extension.

50 years ago

No Devaluation For France In an interview with the New York Times, M. Robert Schuman, the Minister of Finance, stressed that there could be no question of a new devaluation of the franc. "To devaluate would be folly," he said. In the current year French imports have exceeded exports by Frs.100 milliards, and devaluation would imply an increase of this deficit whereas the Monnet Five-Year Plan provides for French foreign trade definitely balancing by 1955.

COMPANIES AND FINANCE

Recovery gathers pace at Metallgesellschaft

By Frederick Stüdemann
in Berlin

Metallgesellschaft, the German industrial and trading group which was almost wiped out three years ago by heavy oil trading losses, has announced a 70 per cent rise in pre-tax profits to DM290m (\$193.5m) for the year and said it might soon resume dividend payments.

Shares rose on the news on Friday, before falling back slightly to close at DM28.28, up 8 pfennigs on the previous day.

The company said poor cyclical conditions and the disposal of loss-making activities had dented sales, which fell 9 per cent to DM106bn. The surge in profits was largely driven by the plant engineering and chemicals subsidiaries. An ongoing refocusing of the group's portfolio of subsidiaries had also helped.

"We no longer have any loss-makers. All the weak points are gone," said the company. The most notable weak point to go was the oil trading activities of MG Corp, the US-based oil and gas trading subsidiary.

In 1993, a series of large and disastrous trades by MG Corp in the oil futures market brought Metallgesellschaft to the brink of bankruptcy.

MG Corp's activities have since been limited to gas trading, though Metallgesellschaft said the subsidiary would be kept as a holding company under which future acquisitions may be placed.

Metallgesellschaft said net debt, which, because of MG Corp, stood at DM2.7bn in

1996, had since been reduced to DM400m and this was further evidence of overall recovery.

"It is remarkable that three years after the disaster, when we had losses of over DM3bn, we are now able to even mention the word dividend," the company said.

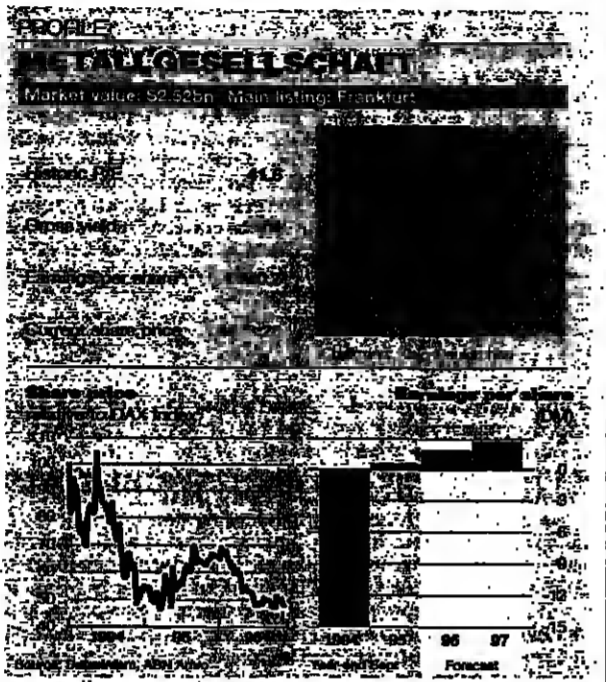
Dynamit Nobel, the chemicals subsidiary, was the best performing part of the group. Sales rose 5.7 per cent to DM2.7bn. This was partly because of the inclusion of Hoechst CeramTec, a structural ceramics maker, which was merged with Dynamit Nobel unit Carastiv.

Another factor was continued expansion outside Ger-

many, particularly in south-east Asia, eastern Europe and South Africa. Some 20 per cent of Dynamit Nobel's sales in the last year came from south-east Asia.

The plant engineering business also saw a greater globalisation of its activities. In October, Metallgesellschaft merged two engineering subsidiaries, Lurgi and Lentjes, as part of a strategy to achieve greater synergies.

In the financial services division, Metallgesellschaft said the disposal of Metallbank, which was sold earlier this month to Schmidt Bank, offered scope for further acquisitions in the group's core industrial and trading businesses.



Ericsson to restructure into three core divisions

By Hugh Carnegie
in Stockholm

Ericsson, the Swedish telecoms equipment manufacturer, is to restructure its operations into three core divisions to sharpen its focus on mobile telephony and on increasingly convergent telecoms, data communications and multimedia networks.

The Stockholm-based group, which claims to be the world's biggest supplier of telecoms equipment, will remodel its operations from the beginning of next year from five divisions now to three, covering telephones and terminals, mobile systems and what it called "infocom systems".

The move is designed to reinforce Ericsson's leading position in mobile telephony, which has driven its rapid sales and profits growth in the past three years.

It is also aimed at strengthening the fixed network business, which has already been heavily reworked to adapt to the rapid shift under way from traditional voice telephony to new communications

technologies integrating computer and multimedia networks.

Ericsson has reported 20 consecutive quarters of sales growth. Pre-tax profits in the first nine months of 1996 rose 20 per cent to SKr6.5bn (\$682m) on sales of SKr7.8bn.

But profitability in the public telecoms operations, covering fixed networks, has been low recently, as the business was overhauled to shed low value-added component and hardware manufacturing and concentrate on high value intelligent networks, Internet access and other telecoms management systems.

Investors welcomed the latest restructuring. Ericsson's most-traded B share rose SKr4.00 on Friday in high volume trading, closing at SKr205, close to this year's high of SKr208.

The restructuring will split Ericsson's mobile operations. One division will make mobile and cordless handsets, modems and advanced network terminals for end-users; second will make mobile system infrastructure for mobile network

operators. The third, "infocom" division will combine fixed systems for public fixed network operators and private business networks, which had been separate.

Splitting the mobile operations mirrored the structure at Nokia, Ericsson's big Finnish rival. Nokia is second in the world to Motorola of the US in mobile handsets, but trails far behind Ericsson in the sale of mobile infrastructure, where the Swedish group is the clear leader.

Ericsson said the diverging marketing needs of mobile handsets and mobile infrastructure lay behind the splitting of the two operations. Mobile handsets, sold directly to individual mobile users, are increasingly marketed like other consumer electronics, with heavy stress on function and styling.

Pressure in handsets is rising on Ericsson and Nokia from competitors such as Philips of the Netherlands and Panasonic of Japan with much greater expertise in consumer electronics than the Nordic companies.

Skanska ahead but orders slow

By Greg Melvor
in Stockholm

Skanska, Sweden's largest construction group, reported a 68 per cent rise in interim profits but warned that demand in its main Swedish market was likely to fall heavily.

Group pre-tax profits increased from SKr2bn to SKr3.4bn (\$514m), in line with expectations. They included a SKr1.8bn capital gain from share transactions and a SKr1.1bn write-off against trademarks related to an acquisition.

Skanska said order flow had been strong, rising from SKr27.4bn last year to SKr36bn, and driven by a strong increase in third-quarter orders from international operations, particularly in the US.

Mr Melker Schüring, chief executive, said the Swedish market for residential construction remained weak, notwithstanding a slight upturn in the first half, and investment in roadbuilding and civil engineering projects was slowing.

The group said it benefited this year from several substantial infrastructure projects in Sweden which would not recur. "The Swedish market will drop during the winter and it might be dramatic," Skanska said.

Operating profits from Swedish construction rose from SKr315m to SKr369m on sales of SKr13.3bn, against SKr12.4bn. Operating margins rose from 2.6 per cent to 2.8 per cent, mainly due to rationalisation and efficiency measures.

An order inflow of SKr7.4bn was noted in international construction operations during the third quarter, taking orders received this year to SKr14.7bn - an improvement of 31 per cent on last year.

Operating profits in the division rose from SKr210m to SKr225m and turnover from SKr11.2bn to SKr11.8bn. Growth was strong in the US operations, while project demand in Russia was higher following the presidential election. Germany, where demand has been soft for some time, was beginning to show signs of an upturn.

Total group sales advanced from SKr29bn to SKr35bn, although the increase was only 7 per cent after allowing for the consolidation of Skane-Gripen, a Swedish building materials group acquired this year.

Real estate operating profits rose from SKr1.1bn to SKr1.5bn after depreciation. Skanska's shares rose SKr0.50 to SKr300.50 in Stockholm on Friday.

Fuji Film overcomes weak prices

By Michiyo Nakamoto
in Tokyo

Fuji Photo Film, which is the dominant supplier of film and photographic paper in Japan, increased first-half pre-tax profits 5 per cent with the help of rationalisation measures which helped offset price declines.

Parent company sales in the first half rose 1 per cent to Y401bn (\$3.6m) and pre-tax profits came to Y28.9bn. Net profits were 7 per cent higher at Y31.8bn. In the full year, Fuji Film expects sales to rise from Y780.6bn to Y818bn and pre-tax profits to increase from Y115bn to Y120bn.

Fuji Film, which has been at the centre of a dispute between the US and Japan over its dominance in the Japanese market, has been affected by falling prices because of the spread of cheaper, imported and private-brand photographic film.

It has been fighting a public relations battle with Kodak, its US rival, which claims the Japanese company unfairly restricts competition in the domestic market. Fuji has countered that Kodak has a similarly large share of the US market, and that it does not have any influence over wholesalers, as Kodak alleges.

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FINANCIAL TIMES MARKETS THIS WEEK



Global Investor / Richard Waters in New York

Techs lead Wall Street higher

Intel joined a very select group of companies this month. On the back of a confident forecast, the semiconductor maker's market value nudged above \$100bn (€56.1bn) - a milestone passed before only by General Electric, Coca-Cola and Exxon.

Microsoft is in hot pursuit. The stock market judges it to be worth \$92bn, two and a half times its value at the start of last year.

Even in a stock market whose rise has exhausted hyperbole, stories like these stand out.

The technology sector is helping to lead Wall Street higher, just as it did for much of 1995. Is the valuation of technology companies beginning to lose touch with reality? Or is there a

secular change going on here which warrants a revaluation? The answer is a bit of both; and the question for shareholders generally is: what happens the next time the techs fall back?

Technology stocks now make up 12.5 per cent of the weighting of the Standard & Poor's 500, up from 8.4 per cent at the end of 1993. If you were to draw up a list of the US's 30 or so most valuable companies, it would now include names like Cisco Systems (a maker of computer networking equipment) and Oracle (database software) as well as Intel and Microsoft.

This is one of those shifts in market weighting that demands attention. Computer makers like International Business Machines

and Hewlett-Packard have long had a place among the ranks of top US companies. But now the value is shifting to companies that write software, build systems and provide services.

But why the massive revaluation relative to the market - a rerating that looks all the more remarkable, given the trajectory of stock prices generally?

Information technology has certainly come to account for a far bigger share of national spending in the US, after growing at a rate of 8 per cent a year in the late 1980s and early 1990s. Other countries spend less (see chart) but are catching up.

This growth pattern, though, is well understood. One argument for accord-

ing these companies a higher rating is that the bigger they get, the stronger their grip on standards in their particular part of the information technology business. Like Microsoft and Intel, Cisco and Oracle have unchallenged leadership in a global industry. That translates directly into higher profit margins.

In a recent report, analysts from Morgan Stanley call this "franchise value". The faster the revenue growth and the fatter the margins, the stronger a company's grip on its market - and the higher the valuation it demands. On that basis, they conclude, Intel (traditionally seen as a cyclical company) should be much closer to the earnings multiple of a Microsoft (an

out and out growth stock). A revaluation along these lines already seems to have been under way. Intel has just moved to a slight premium to the market - a multiple of around 17 times next year's earnings, compared with around 16 times for the Standard & Poor's 500. IBM, despite its recent run-up, is at 12 times.

These numbers are based on some aggressive growth forecasts after a slow 1996. According to Mr Charles Hill, director of research at First Call, Wall Street analysts expect the earnings per share of US semi-conductor companies to bound ahead 27 per cent next year, after slipping 4 per cent in 1996. Computer makers' earnings are expected to grow 5 per cent in 1996 and 35 per cent

Spending on information technology

% of GDP, 1994



Total return in local currency to 22/11/96

Table showing total return in local currency to 22/11/96 for various countries and asset classes. Columns include US, Japan, Germany, France, Italy, UK. Rows include Cash, Bonds 3-5 year, Bonds 7-10 year, Equities.

Source: Cash & Bonds - Lehman Brothers. Equities - FT/Int'l Index Unit. The FT/Int'l Acquisitions World Index is jointly owned by FT-SE International Limited, Citibank Sachs & Co. and Standard & Poor's.

COMPANY RESULTS DUE

Fortis likely to show strong profit growth

Fortis, the Dutch-Belgian financial services group, is expected to report on Thursday net profit for the nine months to September of between F1536m and F1564m, up from F1469m a year earlier.

Fortis' Amsterdam-listed parent company Fortis Amey is expected to report nine-month net profit of between F1577m and F1599m or F13.16 - F13.30 per share, compared with year-earlier figures of F1518.7m or an estimated F12.87 per share, restated for Fortis Amey's 5-for-2 share split in June.

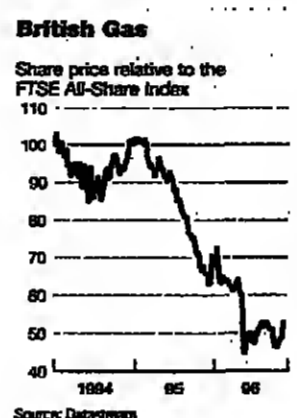
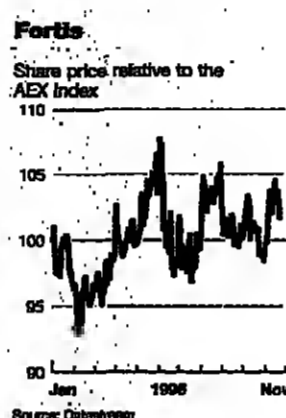
listed Fortia for the nine months are seen rising by between 15 per cent and 20.2 per cent to up to BF9.992bn from BF78.313bn or BF7.230 per share a year earlier.

Mr Bart van der Feen de Lille, IRIS analyst, expected year-on-year profit growth to be spread about evenly between the insurance and banking businesses, where he forecast earnings to rise by 17 per cent and 16 per cent respectively.

Insurance earnings growth would be driven mainly by a 16 per cent rise in life results, which accounted for more than half of Fortis' operational profit from insurance in the first half, and by strong growth in realised capital gains thanks to the favourable climate on the financial markets during the reporting period. Slightly lower results from accident and health insurance would be offset by a rise in other

non-life business, Mr Van der Feen said. ABN Amro Hoare Govett analysts said general insurance should continue its upward trend as a result of better market conditions, especially in the Netherlands, while returns from accident and health results were expected to be modest. They noted that since the third quarter of last year, accident and health results had been affected by disappointing results in the US.

■ Nedlloyd, the Netherlands-based transport group, is expected on Wednesday to report net profit before exceptional items of between F126m and F128m, or between F1.15 and F1.24 per share, up from F123m a year earlier. Nedlloyd's results for the 1995 third-quarter included non-recurring income of F135m in



down somewhat, and the worldwide capacity situation has stabilised. There is still enormous overcapacity on the Pacific routes, but very little on the North Atlantic routes, where rates have even improved," he said, adding that capacity and tariffs on Europe-Asia routes had mostly stabilised. Mr Hendrik Jan Boer, IRIS analyst, expected full-year extraordinary items to total F13m, with the first-half gain of F123m and the expected F120m fourth-quarter gain from the North Sea Ferries disposal partly off set by F120m in write-offs on ships transferred to the container joint venture with P&O, which will begin its operations next year.

■ Ahold, the Netherlands-based retailer, is expected to report on Wednesday strong third-quarter net profit

of F101.6m a year ago to between F166 and F170m, with its US Stop & Shop acquisition the big factor lifting earnings, according to analysts.

Mr Dennis Jullens of ING Barings Research expected net profit of F166.6m before preference dividend payments, with Stop & Shop contributing an estimated

\$65m (\$38.4m) to operating profit for the quarter. He put EPS at F1.01, noting that EPS estimates might vary according to the projected share base used after Ahold's July issue of 30.2m new shares. Ahold last year reported third quarter EPS of F0.82.

■ British Gas reports its third-quarter results on Thursday and is expected to turn in a net loss of £130m (£322m), slightly less than last year. Analysts are not expecting to hear much from the company following its recent appeal to the Monopolies and Mergers Commission. There may, however, be a few further details on the group's de-merger plans.

INVEST IN BULGARIAN CHEMICALS

The Bulgarian Government announces a new list of chemicals companies for which bids are sought under the Cash Privatisation Programme. This provides a wide range of opportunities for international companies to tender for stakes in leading state-owned enterprises.

Chemicals is one of the largest and most dynamic sectors in the Bulgarian economy. It accounts for about 20% of Bulgarian exports and its sales grew 45% to US \$2.7 billion during '92-'95. About 10% of the country's human resources work in the sector and are generally highly skilled. There is extensive use of equipment meeting international standards.

- List of chemical companies: AGROPOLYHIM (fertilizers), POLYMERI (polymers), CHIMKO (urea), SOFIAPLAST (plastic containers), KAPITAN DIADO NIKOLA (PVC pipes), YAMBOLEN (polyester). Each entry includes key products, sales, and export percentages.

Companies wishing to receive further information on these and other companies for sale and the official tender procedures are invited to contact the Marketing Department, Bulgarian Privatisation Agency, Quoting Reference: FT/001, Aissakov St. 29, 1000 Sofia. Investor Helpline: Telephone & Answering Service: +359 2 980 8275. Facsimile: +359 2 981 6201. E-mail: bgpriv@mbbox.digsys.bg



INTERNATIONAL EQUITIES By Peter Wise in Lisbon Portugal stays a firm favourite

Are international investors growing tired of Portugal after three global offers in six months? To judge by the early response to an initial public offering of Telecel, the country's dominant mobile phone operator, the answer is a resounding "no".

Analysts say demand for the offering of 35.6 per cent of Telecel, which closes on December 6, is "exceptionally strong" and are confident Portugal's biggest private-sector IPO to date will be even more successful than the record-setting privatisations of Portugal Telecom and Cimpor, the cement group, earlier this year.

Telecel has an impressive track record. A London-based analyst describes the company as "probably the best growth story in Portugal," forecasting 40 per cent earnings growth by 2000.

The selling shareholders are Espirito Santo, the Portuguese financial group and Amormir, the cork company.

grouped together in Telepri, the holding company, reducing their holding to 5-10 per cent. AirTouch, the US cellular phone company, will increase its stake from about 39 to 51 per cent. Lehman Brothers, SBC Warburg and Portugal's Banco Essi are global co-ordinators, with Schroders and Salomon Brothers as co-leads. Two-thirds of the offering is expected to go to international investors. Telecel will become one of Lisbon's top 10 companies in terms of market capitalisation. The shares are also to be traded in London and in the US.

The price range of E\$6,900 to E\$8,100 values the company at between E\$148.2bn (E\$96bn) and E\$173.9bn. Both Telepri and AirTouch will be represented at the price fixing on December 9, which analysts expect to be towards the higher end of the range.

A relatively high share price could deter some domestic retail investors. But in international terms analysts consider the company has been fairly valued, in line with Vodaphone, the largest UK mobile operator, and Telecom Italia Mobile, the Italian mobile operator.

Telecel is valued approximately at a 1997 P/E ratio of 14.2 at the lower end of the price range and 16.7 at the upper limit, on 1997 earnings per share forecast of E\$35, up from an estimated E\$34 this year, according to a Lisbon analyst. The average 1997 multiple for the Lisbon market is about 15.

This range is seen as attractive for a profitable company in a young market where there is only one other competitor; it compares favourably with the outlook for companies in the UK, where operators are fighting for market share.

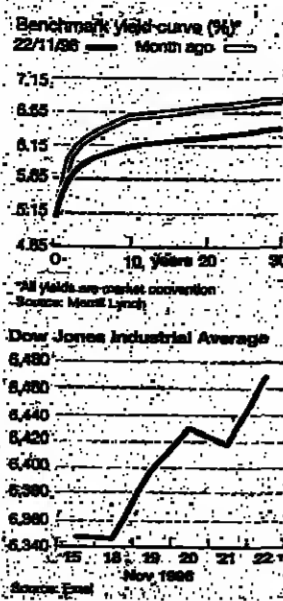
The other Portuguese operator is TMN, part of Portugal Telecom, which accounts for 48.2 per cent of

Table titled 'FT/S&P ACTUARIES WORLD INDICES' showing various international equity indices and their values.

MARKETS: This Week

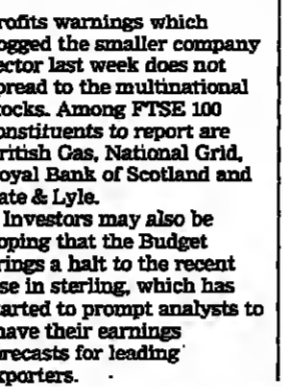
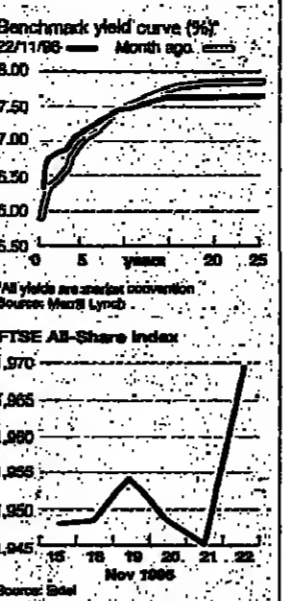
NEW YORK By Richard Tomkins

Stocks had another rollicking time in the US last week, with the Dow Jones Industrial Average rising 52.29 points to another record high of 6,471.78 on Friday - a gain of nearly 2 per cent on the week.



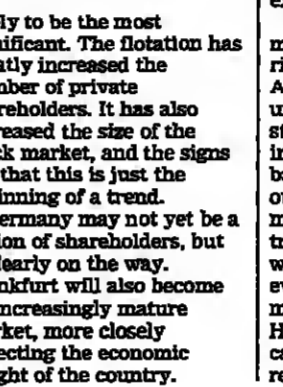
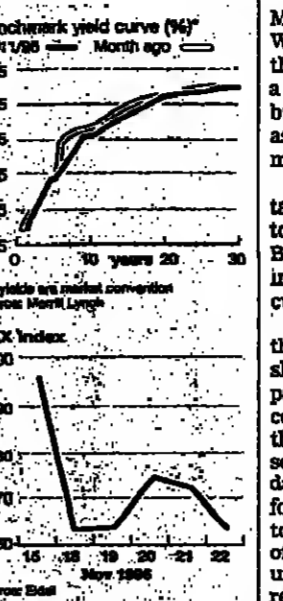
LONDON By Philip Coggan

A renewed burst of optimism caught marketmakers by surprise on Friday, and the FTSE 100 index was squeezed 64.9 points higher to 4,018.7.



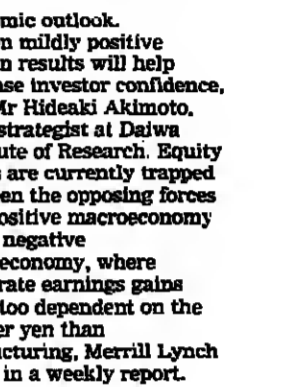
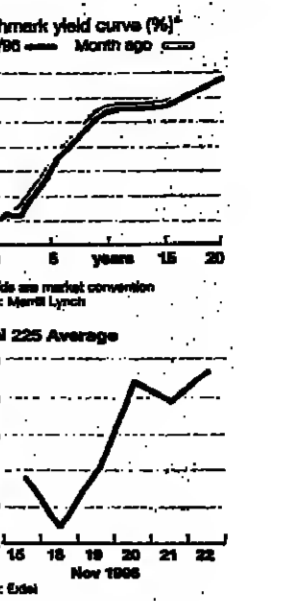
FRANKFURT By Wolfgang Münchau

The successful flotation of Deutsche Telekom was the high point this year for the Frankfurt stock exchange, which has managed to digest the largest share sale in European history - and the second-largest in the world - with little difficulty.



TOKYO By Gwen Robinson

Markets are awaiting Wednesday's release of the Bank of Japan's tankan, a quarterly survey of business sentiment regarded as a vital pointer on monetary policy.



COMMODITIES By... Concern over sugar quotas

The outlook for European sugar, sweeteners and starch will be discussed at a two-day conference in London on Thursday and Friday this week.

COMMODITIES By... Paris

The share market pushed to a new high on Friday after four days of relatively narrow trading. Most brokers expect a pause this week in spite of the potential for renewed outbreaks of take-over fever.

COMMODITIES By... Zurich

News conferences tomorrow by SBC and UBS are likely to bring the Swiss banking sector into sharp focus. Bank shares, faced by tough trading conditions, have been worthy rather than exciting performers this year.

CURRENCIES By... UK Budget to be centre of traders' attention

Tuesday's UK Budget will be the most watched event in the currency markets this week, but its effect on the pound is hard to predict.

CURRENCIES By... Amsterdam

Consolidation was the key word for Dutch equities until the market hit a new all-time high on Friday. ABN Amro's big US deal sparked takeover talk, and solid fundamental supports were also in the pipeline.

CURRENCIES By... Hong Kong

The Hong Kong stock market is braced for another firm week with the property sector in the limelight, writes Louise Lucas in Hong Kong.

FT GUIDE TO WORLD CURRENCIES

Table with columns for Country, Currency, and Exchange Rate. It lists various global currencies and their rates relative to the US Dollar as of Friday, November 22, 1996.

CROSS BORDER M&A DEALS

Table with columns for Bidder/Investor, Target, Sector, Value, and Comment. It lists various international mergers and acquisitions.

Advertisement for BALRAMPUR CHINI MILLS LIMITED. It includes a 'HERE'S PROOF' section with financial data for Net Sales/Income, Gross Profit, and EPS, along with contact information for VIVEK SARAOGI, Managing Director.

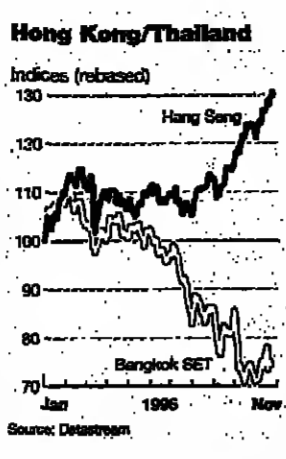
Abbreviations: (M) Free market; (R) Market rate; (F) Official rate; (D) Official rate; (S) Official rate; (T) Official rate; (U) Official rate; (V) Official rate; (W) Official rate; (X) Official rate; (Y) Official rate; (Z) Official rate.

MARKETS: This Week

EMERGING MARKETS By Peter Montagnon

Thailand not out of the woods

Hong Kong and Thailand provide striking examples of two extremes in Asian equity markets this year. While Hong Kong has risen to new highs on the back of a buoyant trend in Wall Street, Thailand has had a depressing time, culminating in a 6 per cent slide last Monday on disappointment at the latest election results.



With the market having established a trend, investors might be tempted to begin scanning brokers' circulars to see if they are starting to recommend taking profits in Hong Kong and a switch into Bangkok as it prepares for a bounce. But those that do will have to look hard.

The consensus among regional strategists is that such talk would be premature. Hong Kong may have further to rise, while Bangkok and some of the other regional markets, which have been hit by the slowdown in export growth and worries about high interest rates this year, will take time to recover.

Mr Neil Saker of Crosby Securities in Singapore says there may be some modest recovery in the Thai market in the near term which could take the index back over 1,000 points by early next year, from 970.30 on Friday. Inflation has come down a long way, he says. The cur-

are worries about the health of the banking system and stretched finance company balance sheets, as well as the need for the central bank to maintain high short-term interest rates to roll over the large amounts of short-term debt Thailand has accumulated to finance its balance of payments deficit.

Thailand will need to show clear evidence that these problems have been overcome and that earnings are again accelerating before a lasting rally can begin, brokers say. Earnings are likely to grow by only around 5 per cent this year, and that may accelerate to around 13 per cent in 1997, but that is not particularly impressive when short-term interest rates are around 12.5 per cent, says Mr Kapur.

By contrast, many brokers remain bullish about the prospects for Hong Kong in spite of the recent run-up in prices. Not only are Hong Kong equities likely to benefit from the improving outlook in China, there is also the prospect of a boom in the property market as Chinese buyers move in on both office and residential property in the wake of next year's handover, says Mr Peter Churchouse of Morgan Stanley.

Against that backdrop, Hong Kong has little to fear from a rise in US rates or a turn on Wall Street. Since the Hong Kong dollar is pegged to the US currency, higher US rates would have to be followed through. However, changes are likely to be modest and there is unlikely to be much of a squeeze on real interest rates in Hong Kong.

Nor is the market particularly expensive. Mr Churchouse has it on 12.5 times next year's earnings; Mr Kapur on 13.3 times. Some Hong Kong officials have expressed concern over the risk of a bubble in the band-aid market next year, but equities are not yet showing much sign of that.

Somewhere between these extremes are the other Asian markets. In Korea, Taiwan, and Singapore, as well as Thailand, there is concern about earnings growth, says Mr Kapur. In historical terms, Singapore looks cheap and the market's recent recovery suggests it is starting to dislocate a turnaround in the electronics sector but, warns Crosby's Mr Saker, there remains a question of which stocks are good buys.

Among the more obvious ones, Singapore Airlines is suffering from higher fuel prices and the impact of the strong Singapore dollar on costs. Singapore Telecom is depressed by the prospect of further privatisation sales. The Malaysian market has recovered since interest rates started to fall during the summer, but now, according to some brokers, it is looking fairly fully valued.

INTERNATIONAL BONDS By Richard Adams

Analysts back tight budget to buoy gilt prices

The Budget to be delivered by the British government tomorrow poses a simple question for those wondering about its likely impact on the gilt market. Will it be a "tight" fiscal budget, and therefore good for gilt prices, or will it be a "loose" monetary budget, and therefore bad for gilt prices?

Most analysts in London are backing a tight budget - no tax give-aways, inflation kept under control - against the background of economic news that portrays the UK economy mirroring the recent strong performance of the US economy. Recurrent signals of an upturn are interspersed with data showing inflationary dangers. In the words of one market participant: "Every silver lining seems to have a cloud."

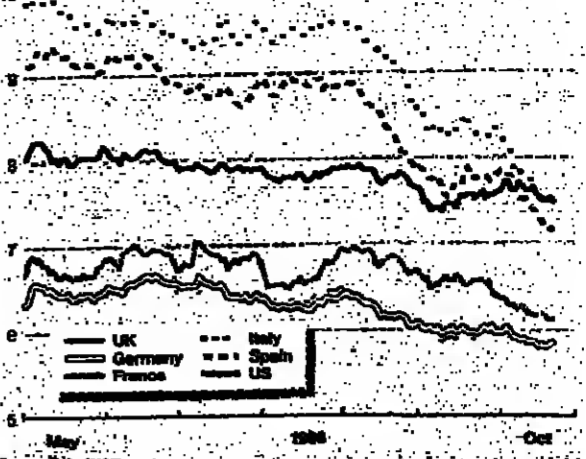
For example, last week's headline figure for the growth rate of third-quarter GDP showed a healthy 0.8 per cent, but was followed by data showing M4 money supply above the 9 per cent target ceiling. Much hinges on the way the Budget is perceived by the markets. The consensus in the City seems to be that Mr Kenneth Clarke, the Chancellor of the Exchequer, has too much to lose in terms of his reputation and credibility vis-a-vis the financial markets.

"We doubt the Chancellor will announce an aggressive easing in fiscal policy. Not least, it is unlikely that politically-motivated tax cuts would result in any material improvement in the government's popularity. Although tax cuts are on the cards, we expect them to be largely offset by expenditure reductions. A broadly neutral budget seems in prospect."

But Mr Kevin Darlington, analyst at ABN Amro, thinks increased tax receipts and expected higher GDP growth in 1997 of up to 3.5 per cent could free the Chancellor's hand to cut taxes and reduce the PSBR to around £20bn. "It could be a 'perfect' budget - one that is 'tight' yet cuts taxes. And the big numbers could satisfy the Chancellor's Maastrichtian bent," he said.

"The market is largely discounting such a budget, and is likely to take the PSBR targets at face value, even though spending plans will be under threat from higher inflation." Economists at Bank of America in London disagree, saying that the Chancellor will almost certainly be forced to raise interest rates. "Even a budget that arithmetically shows no net injection (with spending cuts offsetting tax cuts) is unlikely to be deemed tight enough to prevent additional monetary tightening," said one.

10-year benchmark bond yields



INTERNET RATES AT A GLANCE

Table with columns for currency (USA, Japan, Germany, France, Italy, UK) and interest rate types (Discount, Overnight, Three month, One year, Five year, Ten year). Values range from 5.00 to 6.00.

prudent budget could deflate the short end of the curve. "We believe that a tight budget will help to unwind expectations of a rise (in the base rate) to 6.75 per cent by March currently priced into the short sterling curve. That should help short gilts rally," Mr Adams said. "Tactically, curve steepening trades thus look appropriate to exploit reaction to a tight budget." Both BZW, and NatWest Markets' international bond team, led by Mr Kit Juckes, point to flatness in the yield curve beyond 10 years. The yield spread between 10-year and 20-year paper, for example, fell to 20 basis points last week, as the latter outperformed.

ING BARING SECURITIES EMERGING MARKETS INDICES. Table with columns for Index, 25/11/96, Week on week movement, Month on month movement, Year to date movement. Lists various emerging market indices like Latin America, Europe, Asia, etc.

NEW INTERNATIONAL BOND ISSUES

Table listing new international bond issues with columns for Issuer, Amount, Maturity, Coupon, Price, Yield, Launch spread, Book-runner. Includes entries for US Dollars, Swiss Francs, and New Zealand Dollars.

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aloha Aluminium Bahrain B.S.C. (c) U.S. \$100,000,000 Secured Floating Rate Bonds Due 2001

SAKURA FINANCE HONGKONG LIMITED U.S. \$100,000,000 Guaranteed Floating Rate Notes due 1997

The Chase Manhattan Corporation U.S. \$250,000,000 Floating Rate Subordinated Notes due 2000

SIGMA SECURITIES S.A. - MEMBER OF THE ATHENS STOCK EXCHANGE. ATHENS STOCK EXCHANGE Nov 18th - Nov 22nd 1996. Table with columns for ASE INDEX, EPS GROWTH, P/E, etc.

NOTICE OF ANNUAL AND EXTRAORDINARY GENERAL MEETING. Notice is hereby given that the Annual General Meeting of Shareholders and an Extraordinary General Meeting will be held at the registered office of the Company on 13 December 1996 at 2.30 p.m. and 3.00 p.m. respectively with the following agenda:

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FORD MOTOR CREDIT COMPANY U.S. \$400,000,000 Floating Rate Notes Due August 1998. In accordance with the terms and conditions of the Notes, the interest rate for the period 28th November 1996 to 28th February 1997 has been fixed at 6.75% per annum. The interest payable on 28th February 1997 will be U.S.\$14,894,444 per U.S.\$1,000 nominal.

Midland Bank plc Subordinated Floating Rate Notes 2001. For the three months from November 22, 1996 to February 24, 1997 the Notes will carry an interest rate of 6.3375% p.a. On February 24, 1997 interest of £84.18 will be due per £5,000 Note and £841.82 in respect of £50,000 Note for Coupon No. 43.

CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Table with columns: Country, Currency, Bid/offer, Change, etc. Lists various international currencies and their exchange rates against the pound.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Table with columns: Country, Currency, Bid/offer, Change, etc. Lists various international currencies and their exchange rates against the dollar.

WORLD INTEREST RATES

Table with columns: Country, Term, Rate. Shows interest rates for various countries and terms.

CROSS RATES AND DERIVATIVES

Table with columns: Country, Currency, Bid/offer, Change, etc. Lists cross rates and derivatives for various currencies.

FT GOLD MINES INDEX

Table with columns: Country, Index, Change. Shows the FT Gold Mines Index for various countries.

EURO CURRENCY INTEREST RATES

Table with columns: Country, Term, Rate. Shows Euro currency interest rates for various countries.

UK INTEREST RATES

Table with columns: Term, Rate. Shows UK interest rates for various terms.

LONDON MONEY RATES

Table with columns: Term, Rate. Shows London money rates for various terms.

RIGHTS OFFERS

Table with columns: Company, Price, etc. Lists rights offers for various companies.

BANK RETURN

Table with columns: Department, Assets, Liabilities, etc. Shows bank return details for various departments.

BANK OF ENGLAND TREASURY BILL TENDER

Table with columns: Term, Amount, etc. Shows Bank of England Treasury Bill tender details.

UK GILTS PRICES

Table with columns: Term, Price, etc. Shows UK Gilts prices for various terms.

STOCK INDICES

Table with columns: Index, Value, Change, etc. Shows stock indices for various markets.

OTHER FIXED INTEREST

Table with columns: Term, Rate, etc. Shows other fixed interest rates for various terms.

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Advertisement for Shares - Tax Free, featuring IG Index Financial and contact information.

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LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

Table listing companies in the Alcoholic Beverages sector with columns for company name, price, and change.

BANKS, MERCHANT

Table listing companies in the Banks and Merchant sector.

BANKS, RETAIL

Table listing companies in the Banks and Retail sector.

BREWERIES, PUBS & REST

Table listing companies in the Breweries, Pubs & Restaurants sector.

BUILDING & CONSTRUCTION

Table listing companies in the Building & Construction sector.

BUILDING MATS. & MERCHANTS

Table listing companies in the Building Materials & Merchants sector.

CHEMICALS

Table listing companies in the Chemicals sector.

CHEMICALS - Cont.

Continuation of Chemicals sector table.

DISTRIBUTORS

Table listing companies in the Distributors sector.

DIVERSIFIED INDUSTRIALS

Table listing companies in the Diversified Industrials sector.

ELECTRICITY

Table listing companies in the Electricity sector.

ELECTRONIC & ELECTRICAL EQPT

Table listing companies in the Electronic & Electrical Equipment sector.

ENGINEERING, VEHICLES

Table listing companies in the Engineering, Vehicles sector.

ENGINEERING

Table listing companies in the Engineering sector.

ENGINEERING

Continuation of Engineering sector table.

EXTRACTIVE INDUSTRIES

Table listing companies in the Extractive Industries sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

FOOD PRODUCERS

Table listing companies in the Food Producers sector.

FOOD PRODUCERS - Cont.

Continuation of Food Producers sector table.

GAS DISTRIBUTION

Table listing companies in the Gas Distribution sector.

HEALTH CARE

Table listing companies in the Health Care sector.

HOUSEHOLD GOODS

Table listing companies in the Household Goods sector.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS SPLIT CAPITAL

Table listing companies in the Investment Trusts Split Capital sector.

EXTRACTIVE INDUSTRIES - Cont.

Continuation of Extractive Industries sector table.

HOUSEHOLD GOODS - Cont.

Continuation of Household Goods sector table.

INSURANCE

Table listing companies in the Insurance sector.

INVESTMENT TRUSTS

Table listing companies in the Investment Trusts sector.

INVESTMENT TRUSTS - Cont.

Continuation of Investment Trusts sector table.

INVESTMENT TRUSTS SPLIT CAPITAL

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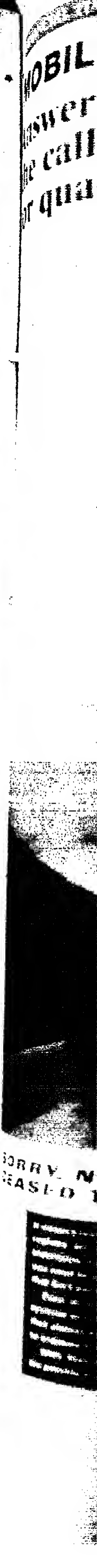
INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

INVESTMENT TRUSTS SPLIT CAPITAL - Cont.

Continuation of Investment Trusts Split Capital sector table.

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MOBILE COMMUNICATIONS

Answering the call for quality

The main battle now is not to build the subscriber base but to improve customer service and increase investor confidence. Alan Cane reports on an industry in transition

The global mobile phone market has grown over the past two decades at rates that have delighted investors but largely served to obscure tough challenges ahead.

The industry is confronted by a number of issues, technical and commercial, which will fundamentally change its structure and the way it operates.

Mr Mike Short, director of international affairs for Cellnet, the UK operator, says the principal questions are how to maintain the confidence of investors in an industry set for dramatic changes, how to manage growth and how to improve quality. "We are moving away from pure numbers to questions like: 'How do we give better value to our customers?' 'How do we as operators think about paying back the investor community for their confidence in us?' 'How do we move towards a more information-orientated world?'"

The numbers continue to dazzle, however. Today's 130m cellular phone subscribers are expected to more than double to 300m by the end of the decade. Over the same period, the value of the market is expected to grow from \$25bn to \$150bn. Of the total minutes of telephone usage in 1993, only 1.4 per cent involved mobile phones. By 2003, the percentage is expected to have risen to 26 per cent.

But if the growth of mobile telephony has been spectacular it has also been uneven. In some parts of the

world it is essentially replacing fixed-wire services as governments attempt to provide a universally available but relatively inexpensive telephone service.

In the Asia-Pacific area, for example, the wireline business is virtually at a standstill, while, according to the London-based consultancy, CIT Research, cellular communications are booming.

In 1995, CIT points out, the cellular market in the Philippines grew by more than 100 per cent, with 425,000 handsets in use. In contrast, fixed lines grew by only 25 per cent - and this in a country where there are fewer than two lines for every 100 citizens.

CIT says it expects the number of handsets in India to rise from 50,000 in 1995 to more than 500,000 by the end of this year. "Growth in the fixed-line base, on the other hand, is likely to limp along at about 25 per cent a year for the next couple of years and could fall thereafter," it adds.

Ms Jill Maslen, CIT managing director, points to the difference in cost of establishing a wireline and wireless system in geographically large areas: "To give China 170m telephone lines - that is 13 per 100 people - by 2000 would cost more than \$60bn. There are few lenders in the queue."

In wealthier countries, there is still a cachet in being part of the mobile phone community. Mr John Carrington, managing direc-



tor of Mobile Systems International, which develops planning software for mobile operators, picks the example of Hong Kong: "It is wonderful to see all these people with their mobile phones and their pagers in front of them when all local calls are free."

Against this background, however, a number of factors seems set to complicate matters and, perhaps, impede progress:

- Standards are becoming a contentious issue in both mobile telephony and its less glamorous cousin, radio-paging, as subscribers increasingly demand to use their phones across national boundaries.

In Europe and much of the rest of the world, the digital GSM (Global Standard for Mobile telephony) technology is well entrenched. Operators in the US, however, are sinking billions of dollars into a competing technology

CDMA (Code Division Multiple Access) which promises higher performance. Japan is enthusiastic about a third standard, the Personal Handyphone. Unless a common world standard can be agreed, travellers will be forced to use different phones in different countries until a multimode phone is available.

In the paging world a battle is developing between the European-backed standard

"Ermas", used by some 4m subscribers, and "Flex", developed by Motorola and used by 86m subscribers in the US and Asia.

Operators' average revenue per subscriber is set to fall in developed countries as the mobile phone becomes a mass-market rather than a niche product. In most countries, the early users of mobile phones were business people prepared to pay high handset costs, line rental and call charges because of the business benefits.

To extend mobile telephony into the residential market, prices will have to decline. In the US, the average monthly bill stands at approximately \$48, half of

what it was in 1987. Subsidised handsets - bringing the prices to subscribers down from hundreds to tens of dollars - have expanded the market in many countries but are also thought to be responsible for the mobile industry's high incidence of "churn", a measure of the proportion of customers leaving or being excluded from a network.

Mr Steve Bell, European marketing director for Motorola, the US manufacturer, says: "The key is the value of the handset. Subsidised pricing is beginning to backfire. If there is no value for the industry in the handset, everybody, customer, operator, service provider and

manufacturer loses."

Dual and triple band phones are expected next year, capable of operating on more than one wavelength. The emergence of a multi-mode handset operating as a cordless phone in the home or office, a cellular phone outside and a satellite phone in remote regions is still some years off.

The question of convergence leading to the combination of fixed and mobile services, which can be used seamlessly and interchangeably, has to be addressed. Mr Nick Williams, a partner with the consultants Deloitte & Touche, argues that convergence is the issue that could shape every aspect of the market in future. Mobile operators, for example, could lose corporate accounts to fixed line operators with mobile capabilities.

The quality of mobile telephony in terms of both technology and customer service has to improve markedly. As one consultant puts it: "The quality of mobile services today ranges from average to crap."

The commercial potential in mobile telephony explains current enthusiasm both for bidding for mobile licences and investing in mobile operators. The US Federal Communications Commission, for example, raised \$10.1bn from the auction of licences for personal communications services (digital telephony for a mass market) this year following \$7.7bn last year.

Belgium, Chile, Italy, Germany and Brazil are among the countries that have either introduced mobile services or invited bids for cellular or paging licences in the past few months.

Such activity, however, cannot continue indefinitely. Sir Gerald Wheat, chief executive of Vodafone, the leading UK operator, which has built up a broad portfolio of interests in cellular licences abroad, warned this year that the best of the crop had already been harvested.

Analysts, a UK-based telecoms consultancy, says the era of mobile licensing is coming to an end: "For investors without a current

IN THIS SURVEY

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Storm from the east: a look at the phenomenal success of Japan's personal handypHONE system

Links to the Sphinx: the launch of mobile services in Egypt

Cell shock: the implications of the handset health scare Page 6

The whole office in your hands: why mobile data could revolutionise the industry

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Two into one will go: the future for 'dual-mode' handsets Page 8

stake, winning a mobile licence (or grabbing a share in one) between now and 2000 represents the last chance to enter the mobile market, and possibly the broader voice telephony market."

Much will depend on the attitude of regulators around the world. Here the EU, which has decided to open Europe's telecoms markets to full competition on January 1, 1998, is in the vanguard. Mr David Brown, a senior director in Motorola's cellular infrastructure group argues that the EU has become the bellwether for wireless access around the world. "It is happening here more fiercely than anywhere else," he says. "The world would do well to look closely at what is happening in Europe over the next couple of years and regard it as an augury for what will happen in the rest of the world."



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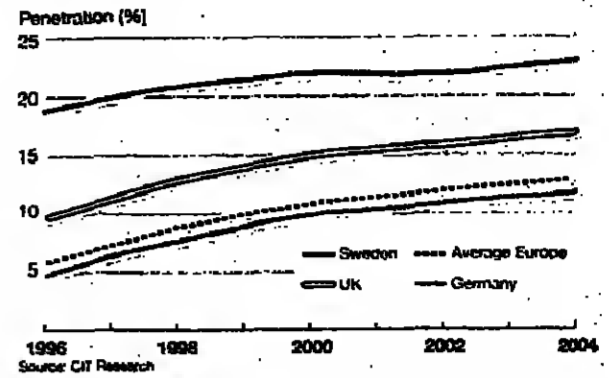
Vodafone's TV ad campaign: higher marketing spend and a focus on non-business users are signs of operators' growing sophistication

■ Western Europe: by Damian Peachey

New pressure for 'standard bearers'

The Europe-wide GSM technology creates challenges as well as opportunities

Predicted cellular growth



Taken at face value, 1996 has been another good year for mobile services in Western Europe - just like every year in the past decade.

As of October 1 this year, according to the UK telecommunications consultancy, Romtec, Western Europe had 75 networks, run by 45 operators and a total of 30m subscribers. This represents a 50 per cent rise over the 1995 figure of 20m, says Ms Eileen Preston, a Romtec analyst.

rival, Cellnet, European governments want all analogue customers moved to GSM by 2005 so that spectrum can be re-used.

GSM's digital capability means it can carry more value-added services than analogue networks and at faster speeds. "Football fans can receive half and full-time results direct to their handset in real time," says Mr Adam Zoldan, analyst at the UK telecommunications consultancy, Dataquest.

Both Mr Zoldan and Mr Short believe that mobile data is going to be the "killer" application that expands the number of mobile minutes on cellular networks. However, Mr Greg Clarke, chief executive of the mobile division of the UK's

riffs. Although One-2-One later changed its tariffs because of network congestion and revenue shortfall, Mr Zoldan feels that, in the long-run, its strategy was the right one.

"Free calls get consumers familiar with the phone and they eventually use it more," he says. "This is far more effective in the consumer market than low-user tariffs, which penalise customers for using the phone."

As evidence of the impact One-2-One has had throughout the Western European cellular industry, Mr Zoldan cites the growth of services targeted at the consumer such as Orange in the UK, the spread of services that offer "free" or "unlimited" minutes, such as Bouygues Telecom in France, and call substitution.

Mr Zoldan believes that innovative charging means mobiles are increasingly becoming the telephone of choice. "People now use mobiles when they would have used a payphone in the past," he says.

However, Mr Paul Ryb, European telecoms analyst at the London merchant bank, HSBC James Capel, argues that an operator can be extremely profitable without needing to target consumers.

"Take Sweden's Europot as an example," he says. "It provides service for business customers and is doing very well." There are some Western European countries that have yet to target the bulk of the population - France, for example, with a penetration of only 3 per cent.

According to Mr Zoldan, penetration rates are entirely a reflection of the way markets are set up. He contrasts France, which, he says, had a poor analogue network and offered no handset subsidies with the UK, where 9 per cent of the population uses mobile phones.

"The UK had good analogue networks, service providers and generous subsidies - hence a penetration rate of 9 per cent," he explains.

Mr Clarke says that Cable & Wireless is already working towards a Universal Mobile Telephone System (UMTS) based on wide-band code division multiple access technology (CDMA) for the future. He sees satellite-based mobile systems as a niche product that is complementary to existing cellular systems in Western Europe.

This view is echoed by Mr Short, who sums up the future in Western Europe as the three Cs: "Change, consumers and convergence".

■ The UK market: by Alan Cane

Time for a greater maturity

Future strength depends on digital technology and a strategy to combat 'churn'

The UK mobile phone market, once the most vigorous in Western Europe, slowed unaccountably in 1996.

According to figures collated by the Financial Times newsletter *Mobile Communications*, the total number of subscribers added by UK cellular operators in the first nine months of the year was only two thirds of the number recorded over the same period in 1995.

Explanations put forward by the UK's quartet of operators - Vodafone, the BT subsidiary, Cellnet, One-2-One, owned equally by Cable & Wireless and US West, and the newly floated Orange - range from a reaction to the exuberant growth seen in 1995 to indifferent advertising strategies from the market leaders.

In earlier years, certainly, rampant demand for mobile services made advertising almost unnecessary.

Orange broke the mould, however, with campaigns of verve and imagination in its drive to sign up a new kind of subscriber. (It spends about £30m a year on adver-

tising; Cellnet about half that amount.)

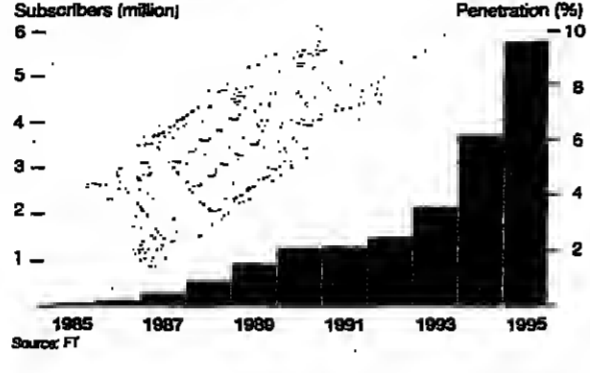
The company, which offers digital PCS services aimed at a mass rather than a purely business market, reasoned that tomorrow's subscribers would treat mobile telephony as part of their daily lives, rather than an expensive luxury to be used only in emergencies.

Its thinking has proved to be on the right lines. Analysis of the UK market by Continental Research, a UK-based company, shows that more people are using mobile phones for personal calls than for work for the first time since cellular services were introduced in the UK.

Orange's success in signing up customers - with some 659,000 subscribers it is fighting Cellnet for second place in the digital services market - has spurred its rivals to respond. Some are increasing their marketing spend dramatically. Vodafone, the market leader, will more than double its advertising budget next year to £20m to counter the threat. Its television advertising is based around the slogan "You are not alone". One-2-One launched a £12m campaign in October on the theme of "Having a One-2-One".

The perception is that

UK cellular market



Issues of marketing and customer service have superseded those of price and geographic coverage in the UK market. There are particular concerns that mobile telephony still compares unfavourably with the fixed-line variety. The shift to digital rather than analogue telephony may go a long way to improving quality.

Vodafone is overall market leader with about 42 per cent of the market, followed by Cellnet with 40 per cent, Orange with 10 per cent and One-2-One with 7 per cent. Most of Vodafone and Cellnet's subscribers, however, are using the older analogue technology, which is expensive, insecure and makes poor use of the airwaves. The government has

decided that by about 2005 all mobile customers will use the more modern digital technology. It is cheaper, resistant to fraud and allows four times as many calls to be compressed into the same bandwidth.

Among the 6.31m subscribers in the UK, there are now 2.7 digital users. Vodafone led the market in October with 945,000 digital subscribers, followed by Orange with 659,000, Cellnet with 654,000 and One-2-One with 460,000.

Orange, whose flotation in March this year was an outstanding success, clearly aims to take on Vodafone and Cellnet in the digital market. The two larger operators, however, have both an advantage and disadvantage in their pool of analogue subscribers. An advantage because it is easier to convert an existing customer than attract a new one; a disadvantage because the costs of conversion will be high.

One-2-One, which, like Orange, offers only digital services, but has lagged behind the other three operators could see a renaissance in the coming months. It has a new and vigorous managing director, Ms Jan Peters, formerly a senior executive with US West's media group. It is reversing earlier errors, which left it with poor geographic coverage compared with its rivals.

"We are managing one of the biggest turnkey projects in the history of mobile communications, taking our coverage from its current 55 per cent of the UK population to 50 per cent by the end of the year and on to 95 per cent by the end of next year," says Mr Ian Volans, a senior executive with One-2-One.

The problem of "churn", a measure of the number of subscribers either leaving a network or being excluded from it because of fraud or had debt remains a big issue for all the operators. In July, for example, Vodafone signed up 95,000 new subscribers but lost 62,000 through churn. Cellnet took on 84,000 new subscribers but lost 59,000.

A primary reason for churn is the policy in the UK of subsidising the cost of mobile phones to encourage growth of the subscriber base. Customers are only slowly beginning to understand that a mobile phone apparently costing only a few pounds has in generate several hundred pounds in call and line charges if the operator is to recover the cost of the subsidy and make a profit.

The industry would in principle like to see a rise in the cost of handsets as a first step towards stabilising churn but the habit of subsidies seems too deeply ingrained in change quickly.

The mobile phone business in the UK is beginning to understand that a new maturity is essential to its continued growth. Earlier this year, the director general of fair trading, Mr John Bridgeman, threatened eight operators and service providers with legal action unless they modified their contracts that he believed contained unfair terms.

So far, Vodafone only has taken action, dropping its £50 disconnection charge. Talks with the other seven companies are continuing.

Some West European countries, France among them, have yet to target the bulk of the population

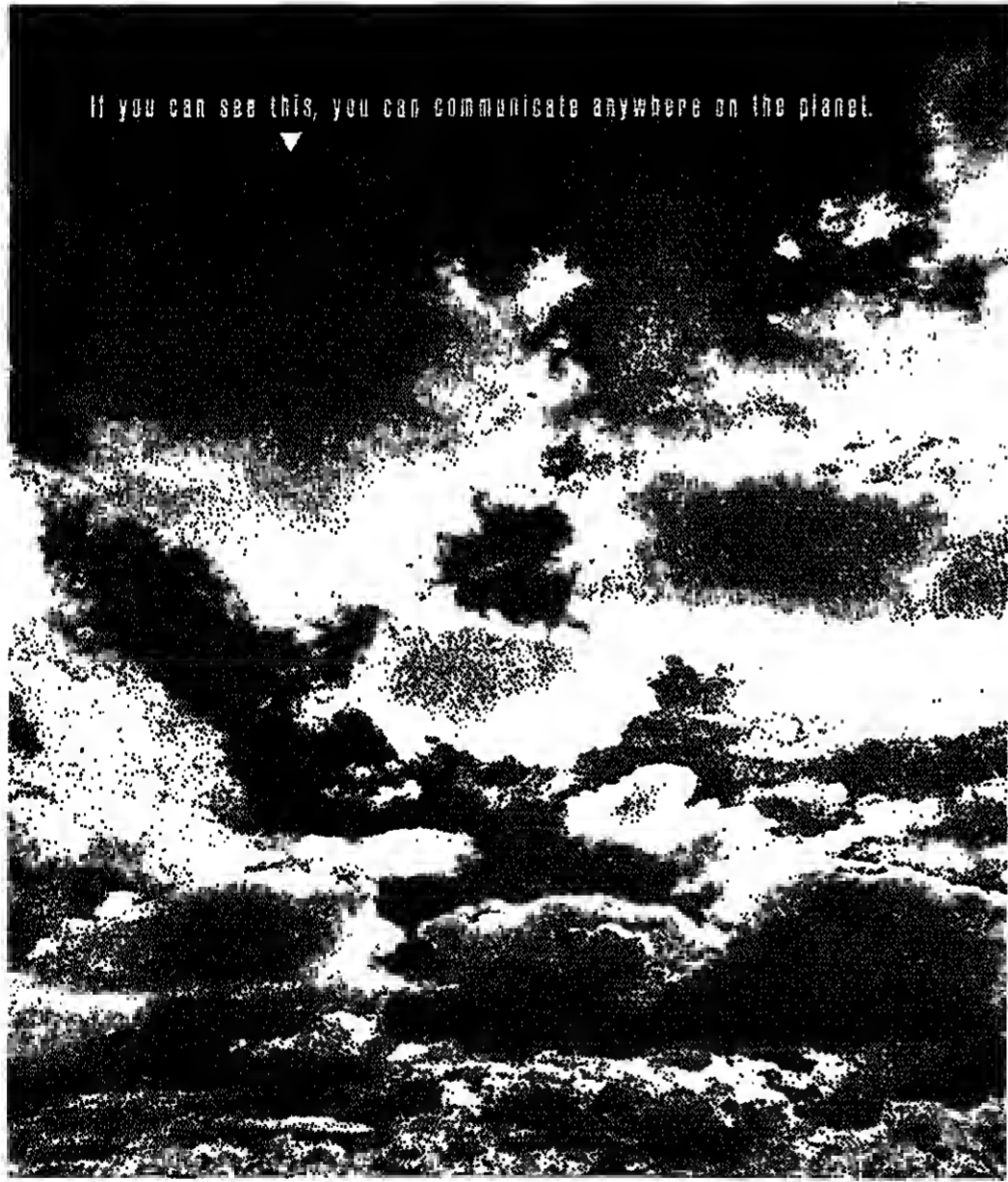
Cable & Wireless, disagrees. "You'll have to wait five years for data to come to fruition. The 'killer' factor now is consumers," he says.

Cable & Wireless has stakes in three Western European DCS 1800 networks - Mercury One-2-One in the UK, Bouygues Telecom in France and E-Plus in Germany. With around 1m subscribers between them, these networks have arguably done more to introduce mobile telephony to the consumer market than any others.

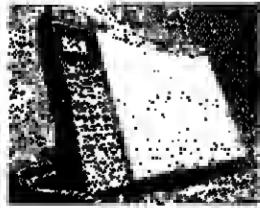
Before One-2-One's UK launch in late 1993 Vodafone and Cellnet, Britain's two original cellular operators, targeted the lucrative business market. Although tariffs and call charges were high, businesses were prepared to meet the costs for a service that was fast becoming essential.

Cable & Wireless and US West International realised that there was a gap in the market for a low-cost cellular service targeted at the consumer. Using DCS 1800 technology, which allows large urban populations to be covered at low-cost, they launched Mercury One-2-One.

One-2-One offered free local calls at off-peak times and weekends. This vigorous competition forced rival networks to examine their tar-



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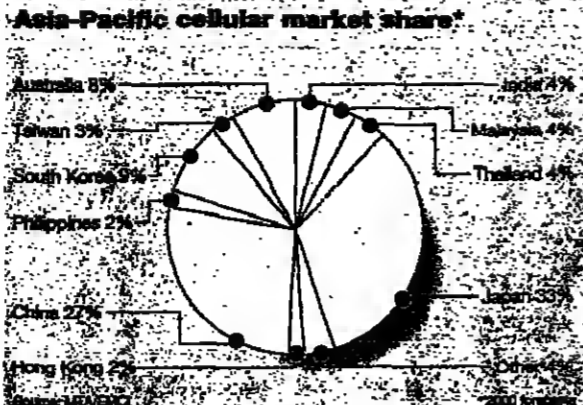
Asia-Pacific by Jenny Walker

Success story with a twist

Analysts fear that additional licences will lead to unhealthy market conditions

Received wisdom used to be that the bubble would burst for Asia's burgeoning mobile communications markets. The logic of the prediction was simple: since not everyone can afford mobile phones and so many people already have one, subscriber growth will soon slow. Yet Asia has a way of throwing up surprises, of proving cynics wrong. Around 8m new people signed up for mobile services in Asia in the first half of this year - almost 40 per cent more than in Europe or North America. Although phenomenal growth in the wealthy Japanese market will skew this

year's figures in Asia's favour, several markets will double their numbers of cellular users before 1997. Indonesia, the Philippines, Korea, India and Japan are all tipped for strong growth next year. Intensifying competition and falling prices - key factors in the growth of mobile communications the world over - are making their mark on Asia. At the same time, rising personal incomes mean increasing numbers can actually afford a mobile phone, and a long wait for a fixed-line phone (of up to several years in some countries) encourages more and more people to buy cellular handsets. CTT Research, a UK-based telecoms consultancy, recently declared that the runaway success of Asia's privately-run mobile networks is stifling traditional wireline infrastructure by



displacing spending that would otherwise go on improving public telephone services. Not everyone agrees with this view, but it is one of a number of new theories put forward to explain the rapid changes in Asia's markets. It co-exists with a belief



Not just a luxury: long waits for land-line connections are persuading more and more people in Asia to buy mobile phones

The US: by Richard Waters

Farewell to the 'fat and easy' days

The introduction of a wider range of frequencies should benefit the customer

In some parts of the US, 100-foot antennas have been disguised to look like trees. In others, they have stirred anger among locals who complain they disfigure the landscape.

They are the most visible signs of the revolution that has just hit the US mobile communications industry. Until recently, only two cellular frequencies were available in any given market across the country. The result has been a series of local duopolies, with little real competition on price. This cozy industry is now being blown wide open. Through a series of auctions of the radio spectrum, the Federal government has sold off the rights to up to six new channels in each local market, all of them at higher frequencies than traditional cellular services. These new mobile services all go by the name of personal communications services, or PCS - whatever the differences in their technical standards.

PCS signals, at around 1.9GHz compared with the 900 MHz of cellular, have less power and travel shorter distances. Hence the fake trees: carriers must erect many masts in order to receive and transmit signals.

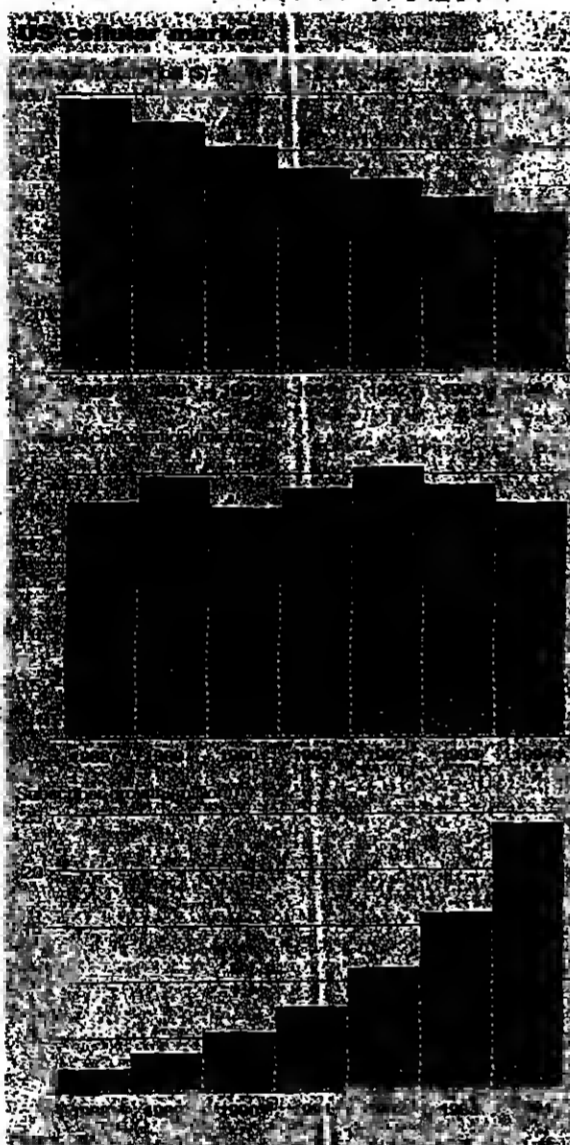
In the early skirmishes that have broken out in this battle for control of the airwaves, the mobile companies have sought to shift attention to price and service, rather than the technical differences of the rival systems. That is just as well: the range of frequencies and standards available would battle all but the expert. However, the rivalry between technologies could serve to slow the development of the US's mobile telecommunications market.

The potential problem stems from a shift to digital signals as existing cellular services, based on analogue signals, are upgraded to compete with the new PCS companies.

AT&T, the US's biggest cellular provider since its acquisition of McCaw Cellular two years ago, is in the process of converting its analogue network to a digital standard, known as TDMA. This is also the standard AT&T will use on the higher-frequency PCS networks it is building: the company was one of the biggest successful bidders in the PCS auctions, and plans to use the PCS blocks to fill in the gaps in its cellular network.

"Customers really don't care about frequencies, whether it's 1900 MHz or 800 MHz," Mr Bob Allen, the company's chairman, said last month, when announcing the upgrade (as a marketing gambit, AT&T has christened all its digital services PCS).

However, customers of AT&T or other companies - who roam outside their local area may not find life as simple as this implies. A special handset is needed to pick up both low- and high-frequency signals. Also, the lack of a single digital standard among all companies means that customers of one service may not be able to hook into a rival network when travelling beyond the



reach of their own carrier.

Sprint PCS, the joint venture of Sprint and three cable television companies, has championed the use of CDMA, a rival - and largely unproven - standard. CDMA is also turning out to be the technology of choice for smaller PCS companies. But signals on the two digital standards are incompatible. Nor do they match the GSM standard in wide use elsewhere in the world. This sort of technical incongruity is often frustrating for consumers and adds to cost.

For now, though, the marketing blitz surrounding PCS is likely to provide a boost for the industry as a whole. Price will become an increasingly important weapon in this new fight for market share. That in turn should stimulate the growth of the industry.

Even without PCS, the US mobile communication business has been growing fast. According to the industry's trade association, the NCTA, more than 28m Americans had mobile telephones at the end of June, compared with only 18m three years before. The industry's revenues topped \$21bn in the latest 12-month period.

Those revenues have been the product of a duopolistic pricing structure that is now unravelling. "Everyone has had it fat and easy," Mr Andrew Sukawaty, chief executive of Sprint PCS, said earlier this month. Evidence so far, though, suggests that price competition will not be cut-throat in the early days of PCS. Early marketing efforts for the new services have focused more on the quality and range of services available, rather than purely price.

Sprint PCS studied the opening of the UK mobile telephone market before deciding on its own strategy, Mr Sukawaty says. Its con-

clusion: brand name and quality of service are big considerations in the choice of a carrier.

PrimeCo Personal Communications, which alongside AT&T and Sprint is set to be the country's third national PCS provider, has also tried to avoid a direct confrontation over price. The company, which this month announced a service in 16 big cities, will have a monthly charge which is only 5-10 per cent below cellular. PrimeCo has decided to base its marketing campaign around service quality and ease of use rather than cost.

Much depends on whether consumers are willing to pay a premium for the sort of benefits that have been claimed for PCS - a better-quality signal, more security from eavesdroppers and batteries that last much longer. Also, companies such as AT&T and Sprint hope to prevent price erosion by "bundling" mobile telephone with other services, including long-distance and local calling and Internet access. Eventually, however, it seems inevitable that price competition will become fiercer. Three of the PCS bands auctioned by the Federal government are considered too narrow to support a high-quality telephone service, and are likely to be used for paging and messaging services. But the remaining three will be more than enough to generate fierce competition in the "most attractive markets".

The hope for the companies is that the development of their industry will echo that of the US long-distance business. After that market was opened, prices fell steadily - but call volumes grew, supporting the growth of new giants of the telecommunications industry such as MCI and Sprint.

among its existing five operators.

Mr David Riedel of Salomon Brothers believes that the degree of commercial rivalry in Asia may now be unhealthy. "Once competition turns into a bloodbath of cannibalisation and price cutting, it's not good for any of the players," he says.

The problem is that in highly competitive markets, new entrants need to capture market share quickly in order to reach a sustainable size. Cut-throat pricing to establish a niche may seem to make sense initially, but it will impinge on the profitability of all participants.

Recent turns of events in Malaysia and the Philippines have disturbed industry watchers. Operators in these

countries rushed to sign up new customers ahead of the competition and are suffering for it now.

Malaysia's largest cellular operator, Technology Resources, had to write off bad debts due to non-payment of bills and cellular fraud in 1995, as did both Globe Telecom and Piltel of the Philippines earlier this year.

There are also growing worries about the impact of new technologies. Many new high-frequency digital personal communications services (PCS) networks are to be launched in the next year to 18 months as well as a number of new fixed-wireless networks. The latter include Japan's hugely successful personal handy-phone (PHS) technology.

Analysts have been surprised at how easily some new entrants have snatched market share from existing operators. "Market share shifts have proved much greater than expected in many cases," says Mr Adam Quinton of Merrill Lynch Singapore, "and market leaders are finding it harder to secure any sustained differentiation."

Merrill Lynch recently coined a new term for those companies able to establish themselves so quickly and easily in new markets: fully competent operators, or FCOs.

An FCO must be a newcomer that "has achieved a strategic position equal in coverage to existing partici-

pants with a credible brand and adequate distribution".

There are likely to be quite a few of these in Asia as new entrants begin tapping the consumer market. One in five Australians (4m subscribers) already owns a mobile phone and China's largest cellular operator, China Telecom, is set to become the world's biggest by the end of the year with 7m subscribers. But it seems that there is plenty more room for growth. The GSM MOU, an industry body that encompasses operators from around the world, says that subscribers should total 80m in Asia-Pacific by 2000, and that this still only represents a penetration rate of 3 per cent.

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The global market by Richard Handford

Lines start to converge

As liberalisation continues, cellular and fixed-line operators are likely to ally

The world's global cellular operators such as AirTouch, Cable and Wireless, US West and Vodafone must face up to new challenges if they are to maximise the returns on their international licences. The companies, which have built up formidable portfolios of cellular licences outside their home markets since the late 1980s must look for new opportunities over the next few years as the number of available licences runs out.

Developing a strategy to safeguard long-term interests will be vital. "We spend a fair amount of time thinking about it. The wireless business is a small piece of the overall telecoms pie," says Mr Arun Sarin, president and chief executive officer of AirTouch International.

AirTouch has been involved in consortia that have won 10 licences outside its home US market over the past few years, including stakes in operators in Germany, Italy and Japan. Vodafone is involved with groups in 11 countries, including France, Germany and South Africa.

Companies linked to C&W hold 29 foreign licences in countries that include France, Singapore and Hong Kong, although many have been acquired through fixed-network licences already held by the company rather than through competitive bids. US West holds stakes in UK, French and many east European cellular licences.

Now that the era of licence issuing is coming to an end, leading operators are initially looking to increase their stakes in the licences they already hold. Short-term investors such as merchant banks are often the partners willing to sell for a price.

Operators will try to expand further the existing cellular market by finding ways of signing up more

consumers at the bottom end of the market and extract more revenue from more lucrative business users.

To attract more consumers to their networks, an increasing number of operators, particularly in Europe, are introducing initiatives such as pay-as-you-go calling cards for those customers who do not want, or cannot afford, to take out a full-time contract with an operator.

Such a service should recruit more customers who previously were either nervous of the commitment of purchasing a cellular phone or were not considered sufficiently creditworthy.

Operators will also be pushing harder to persuade business users to take advantage of the increasing digitalisation of cellular networks to use their phones to send and receive data, fax and even Internet messages, as well as voice traffic.

Other operators could also follow the lead of Vodafone, which earlier this year set up InterPlan, an international organisation that offers a single point of sale for multinational cellular customers. All are aware of the synergies created by holding a number of licences in different countries.

"In a global business you enjoy the benefits of common procurement of staff

and equipment," says Mr Greg Clarke, chief executive, mobile, at C&W.

But cellular operators are also facing the challenge of re-defining their strategy as governments liberalise their telecommunications markets. The pressure is especially acute in Europe where European Union (EU) rules to introduce full competition come into effect on January 1, 1998.

Cellular operators will increasingly find their business overlapping with that of fixed network operators. Under EC rules, they are being offered freedom to choose how they carry their own international traffic, previously the domain of the incumbent monopoly carrier.

Further regulatory freedom is likely to mean cellular operators will be able to carry their own long-distance traffic and directly connect their networks with their counterparts in other countries.

Common ownership across a number of markets puts leading cellular operators in a strong position to form alternative international telecommunications infrastructures that could carry traffic other than that generated by cellular users.

Cellular operators could also begin offering cheap wireless services that com-

pete with existing fixed services. This is likely to happen as they are awarded additional radio spectrum from national governments.

European operators such as AirTouch and Vodafone in the UK are both planning to offer such services in the future.

This means cellular operators will find themselves in head-to-head competition with the established fixed-network carriers that also have their own cellular businesses. Cellular operators will need to seek strategic alliances with newly licensed fixed carriers to match the incumbent carrier, particularly in areas such as broadband services.

Mr Sarin foresees "an increased co-operation between mobile and new fixed carriers", with the possibility of "an exchange of assets".

The benefits for cellular operators from bringing together fixed and cellular services into a single package are expected to scotch recurring rumours of spin-offs of overseas interests by AirTouch or Vodafone or, in the case of C&W, a spin-off of its cellular interests from the parent company.

Richard Handford is a senior reporter on the FT newsletter, Mobile Communications



The data cost in the future, the number of pieces of equipment needed to make it will be reduced to one

Mobile data: by Kris Szymanowski

The office close to hand

More users are likely to want handsets that provide access to faxes and e-mail

The market for mobile data, which, in theory at least, allows customers to hold the office in the palm of their hand, is set for rapid expansion.

That more people want access to facilities such as fax and e-mail on their mobile phone handsets is seen as inevitable. Although there are currently no more than 2m users worldwide, it is predicted that the number will grow to 10m over the next five years. A significant proportion of those will be in the UK, which, with a mobile data user base of more than 100,000 at the beginning of the year, is the second biggest market in the world after the US (1m users).

While most observers agree that a data explosion is imminent, there is less certainty over which technologies are likely to support future growth. Many emphasise digital cellular networks and the fast growing GSM digital cellular standard, but there is a multitude of other technologies: analogue cellular networks, dedicated data networks, satellite networks and private and public access mobile radio networks (PMR and PAMR).

According to the consultants, Strategy Analytics, digital cellular networks

will account for more than 70 per cent of wireless data users by the end of the century and PMR and PAMR networks only 6 per cent.

The packet-switched radio data market is relatively small because the operators concentrate on providing data-only services to customers who do not require voice services.

Digital cellular, on the other hand, has the attraction of being able to offer a seamless combination of voice, fax and other value-added services such as e-mail. Sending a substantial amount of data over cellular networks, however, can still be complicated.

According to Mr Ken Blakeslee, director of business development for Wireless at the Canadian manufacturer, Nortel, the complexities of the interface still deter most consumers from trying to do much more than make a straight call over their handsets.

Using data can be cumbersome and off-putting. Customers transmitting data over the cellular networks still usually have to make use of three pieces of equipment: a cellular handset, a laptop computer and a data card to link the other two together.

An increasing number of manufacturers are convinced that an integrated solution in the form of some kind of personal communicator must be found.

Personal communicators have been around for a number of years, but their first incarnation - personal digital assistants - were

judged to be bulky, expensive and not very user-friendly. They also tended to be marketed as processors first and foremost.

By comparison, the second generation personal communicators now beginning to appear on the market - such as the Nokia 9000 launched in the UK over the summer - are being marketed primarily as communications devices. The Nokia 9000 appears to be selling well, although tellingly many users still carry a mobile handset when they want to travel light.

Placing the emphasis on communications applications will be the way forward, according to Ms Justine Keys, a senior analyst at Yankee Group Europe, and the key applications are likely to be electronic mail, fax and the Internet.

Companies such as Ericsson, NEC, Alcatel/Sharp and Nortel are all working on their own personal communicator or smart phone products. The use of common operating systems such as that developed by the US software company, GeoWorks, will also drive down costs. A lack of industry standards has hindered the development of personal communicators.

Nortel's Orbiter project, for example, is concentrating on improving the user interface. Due to be launched next year, the Orbiter weighs not much more than a normal handset and has a keypad that slides down to reveal a double-size touch-sensitive display that allows for easy access to a

wide variety of functions.

"The first challenge is to deliver devices that simply make existing services such as messaging, directories, voicemail and caller identity more intuitive," says Mr Blakeslee.

The phone will be light and easy to use because most of the intelligence is located elsewhere in the network.

Part of the problem with accessing data over existing systems has been that the software applications being used are not designed with low-capacity mobile data networks in mind. Increasingly, the industry is coming to realise that smart networking can provide a solution to many problems. By transmitting only the information that is necessary, such as the amendments to a file rather than the whole file itself, bandwidth becomes less of a bottleneck.

Other ways of making cellular data transmission simpler and more attractive may already be with us. Many industry commentators point to the as yet unfulfilled potential of short message services (SMS), which allows text or data messages of up to 160 characters to be sent to or from a GSM phone or computer, could be used to complement more sophisticated services. For example, users can be notified by SMS the e-mail messages or faxes have been sent to them elsewhere on the system.

Kris Szymanowski is a senior reporter on the FT newsletter, Mobile Communications

The manufacturers: by Damian Peachey

Giants rule the world

Falling prices and higher demand mean the future belongs to the big suppliers

create both more opportunities and greater challenges. Will the same be true of the equipment market?

GSM (Global System for Mobiles) is presently the dominant cellular technology worldwide, and looks set to remain so for some time. GSM is a digital standard working on the 900MHz frequency band on Time Division Multiple Access (TDMA) technology. Today, there are more than 70 GSM networks worldwide, from Iceland to Saudi Arabia. "Out of a total of 300m mobile subscribers in the year 2000, 100m will be using GSM," says Mr Mike Short, director of international affairs at the Slough-based UK operator, Cellnet.

The digital cellular standard was developed jointly by a number of European manufacturers, including Ericsson, Nokia and Siemens. According to Ms Anita Farrell, telecoms equipment manufacturer analyst at Merrill Lynch in London, this explains European pre-eminence in the global GSM terminal market.

"The fact that GSM is a European standard gave European manufacturers a head start," she says. "GSM was very good for manufacturers. They could invest without fear because they knew it would sell."

Analysing the competition between the manufacturers reveals something of a game of swings and roundabouts. Mr Adam Zoldan, an analyst at the telecoms consultancy, Dataguest, says that Nokia is the world leader in sales of GSM phones and can also boast that its best-selling 2110 GSM handset is the most profitable mobile terminal in history but Motorola is the world leader in analogue handset sales.

Analogue mobile-non-digital technologies such as TACS, NMT, AMPS and RS2000 still have more subscribers than GSM, even though European sales of analogue subscriptions are being outstripped by those of GSM, which can carry more data services.

Motorola is the leading supplier of terminals to America's AMPS (American Mobile Phone Service) cellular systems. However, it has been badly affected by a slowdown in growth of sub-

scribers on the various networks. Motorola is hit doubly hard by a fall off in handset sales because it not only makes the phones, but the chips inside them as well," Ms Farrell says.

Motorola is hoping that its new StarTac handset will help it capture GSM terminal market share from its rivals. The light and compact phone has met with critical approval, but Mr Zoldan feels it will struggle.

"The StarTac is retailing at over \$1,600, which is more expensive than the Nokia 9000 - a fully integrated voice and data product," he points out.

Several companies are challenging the leading handset manufacturers at the lower end of the market. Mr Zoldan cites Japan's Sony, Panasonic and Mitsubishi, Europe's Philips, AEG and Nortel-Matra and a number of Korean companies such as Maxon. Both Mr Zoldan and Ms Farrell doubt whether these companies will make much of an impact.

Ms Farrell estimates that the price of digital phones is falling by 15 per cent annually as production methods advance and high volumes create economies of scale. Nineteen ninety five was the first year that the supply of digital phones outstripped demand.

"It's difficult to compete with the big three because without their level of volume, you cannot keep your costs down," Ms Farrell says.

Increased choice of handsets or not, equipment manufacturers will have no option but to move into GSM infrastructure as operators worldwide choose GSM as their preferred technology.

According to Ms Farrell, Ericsson dominates the world's GSM infrastructure market with 40 per cent of total business. As with terminals, margins are falling and volumes are rising. However, the exponential growth of the market means there are numerous opportunities for the many infrastructure manufacturers.

One such is mobile data. Mr Short estimates this will be responsible for 30 per cent of traffic on GSM networks by the year 2000.

"Mobile operators are going to push data because research shows that users do not count data transmission on a mobile network as a telephone call, and as a result do not tend to count the number of minutes they're using," Mr Zoldan says.

An explosion in mobile data will lead to increased demand for data cards, data-capable handsets such as the Nokia 9000 and infrastructure to cope with much increased data traffic on the networks - good news for manufacturers of both terminals and infrastructure.

New digital cellular technologies such as CDMA (Code Division Multiple Access) and the GSM derivative DCS 1800 will also boost handset and infrastructure markets.

CDMA technology was originally developed for the US military and is heavily backed by US manufacturers of mobile equipment such as Motorola. Sprint Telecom Ventures, the largest holder of PCS (Personal Communications Systems) licences in the US, has chosen CDMA technology for its networks. US companies are likely to benefit most from CDMA's success: the only European interest so far in the system is from Nokia, which is planning to manufacture CDMA handsets.

A number of DCS 1800 networks already exists in Europe, such as Orange in the UK and Bouygues Telecom in France. The cells in the network's honeycomb structure are much smaller than those in GSM and can therefore support more users. DCS 1800's supporters also say it offers superior call quality and better coverage in urban areas. GSM and portability between GSM and DCS 1800 has alerted manufacturers to the potential of "dual-mode" handsets, where the user can switch between GSM and DCS 1800 networks. The first models will appear later this year.

The existing equipment giants are the companies likely to benefit most from these changes in the services landscape: only they have the production methods and low costs to make money from the narrow margins in these areas.

While most observers agree that a data explosion is imminent, there is less certainty over which technologies are likely to support future growth. Many emphasise digital cellular networks and the fast growing GSM digital cellular standard, but there is a multitude of other technologies: analogue cellular networks, dedicated data networks, satellite networks and private and public access mobile radio networks (PMR and PAMR).

According to the consultants, Strategy Analytics, digital cellular networks

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8 MOBILE COMMUNICATIONS

■ Satellite services: by Alan Cane

Clearer path for the pioneers

Obstacles to the development of GMPCS services are slowly being removed

The focus of attention in plans to provide worldwide personal communications via satellites has shifted from technical and financial issues to those of policy and regulation.

And not a moment too soon for the pioneering operators: the first of the satellites to support these advanced new services will be launched next year.

In late October, the International Telecommunication Union (ITU) devoted its first Policy Forum - a vehicle for member states to exchange views and information about telecoms issues without prescribing regulations - to the questions raised by what are now described as "Global Mobile Personal Communications by Satellite (GMPCS)".

These are satellite systems that will allow individuals to make phone calls at a reasonable price from any point on the earth's surface using a hand-held telephone.

Relatively low cost and

portability are what distinguish GMPCS from today's bulky and expensive satellite communications systems. GMPCS operators are promising dual mode handsets (which can switch between satellite communications and terrestrial cellular networks) costing little more than conventional mobile phones - say \$1,000 to \$3,000 - and offering call charges from under \$1 a minute to \$3 a minute.

The ITU meeting produced a memorandum of understanding aimed at removing obstacles that threaten the free movement of handsets for the new services. It aims, for example, to relax customs controls that ban or impose heavy taxes on the use of these phones across national boundaries.

It was a limited achievement but will go some way towards reassuring investors in satellite ventures. The technical, political and financial risks are enormous; the consortia involved are raising billions of dollars in equity and debt to finance projects whose commercial viability will not be clear until the satellites are in place.

The likely demand for GMPCS services, for exam-

ple, is unquantified. Nobody knows how many operators the market can bear but it is certainly fewer than the number preparing spacecraft for launch.

The main concerns are Iridium, a consortium led by Motorola of the US, GlobalStar, in which Loral Space and Communications, also of the US, is the leading shareholder. ICO Communications, backed by Inmarsat, the pioneer of satellite communications and Odyssey, led by TRW, the US aerospace group.

While there are differences in the technology used by each consortia, the principle is the same. Moving satellites in medium- or low-earth orbit (Meos and Leos) will receive and transmit telephone calls from ground stations and hand-held phones. The Iridium project further envisages transferring calls between satellites.

There are also plans for "Little Leos", satellite systems designed specifically to provide low-cost, non-voice, basic communications services such as two-way position determination and short messages. These low-cost systems require fewer satellites than voice services and will almost certainly be

the first low-earth orbit services.

A further project, Teledesic, in which Mr Bill Gates of Microsoft and the US mobile pioneer, Mr Craig McCaw, have interests, is designed for broadband data services - a sort of Internet in low-earth orbit.

But, as Mr Olof Lundberg, ICO chief executive, points out, the political issues the consortia face are at least as important as the technical ones.

Mr David Leive, telecoms specialist with the Washington Law firm Latham and Watkins, summed up the dilemma facing operators and regulators in a keynote address to the ITU: "Many national policy makers are undecided about how to regulate the new systems knocking at their doors. But they know they want the benefits."

"The GMPCS system operators know they want to establish their systems in as many countries as possible and to establish them as soon as possible. They also know that they need a sufficient return to pay for their enormous investments, and to cover the risks of building and deploying their systems. Either way, both want to

make sure the service is available soon."

The problem is that satellite services of this kind, designed for a mass rather than a specialist market, are new and unfamiliar. No international regulatory structure yet exists. Regulators in some countries are concerned that operators could use the satellite system to bypass the terrestrial network.

Many developing countries derive a significant part of their balance of trade revenues from high-priced long-distance and international telephone calls.

Mr Sayyed Gharazi, the Iranian telecoms minister, typified the response: "We should all agree," he said, "that the utilisation of GMPCS will not lower the utility of existing public switched network systems but only complement them."

In a related move, the US operators of satellite services have softened their opposition to a global accord to liberalise basic telecommunications, bringing closer the possibility of a deal being concluded through the World Trade Organisation early next year.

The WTO had been hopeful of a deal by last April but



The global village: satellite-based wireline kiosks already offer links in remote areas

the satellite operators, concerned that they could be excluded from key national markets, objected to the terms of the agreement. It was a principal contributor

to the breakdown of the talks.

At a meeting between the operators and trade negotiators in October, however, it became clear that the opera-

tors would settle for more modest market access conditions than they had originally demanded, thus opening the way for a global agreement.

■ New technology: by Joia Shillingford

Mixed reception

Changes to cellular equipment have met with some scepticism

Phones that are compatible with more than one network and base stations that are environmentally friendly are among the technological advances that are changing the industry. In each case, however, the transitions are unlikely to be smooth.

Mobile phone handsets that can work with more than one service have been slow to take off. These handsets - known as dual-mode - come in various guises.

Vodafone is talking about introducing phones in Australia that can switch between the digital mobile standard, Global System for Mobile (GSM) and satellite. This would mean that users could always make calls, without Vodafone having to erect lots of base stations in remote areas.

Another, much talked about, possibility is handsets that combine GSM with Digital Cordless Telephony (DECT), one of the standards for enabling people to use cordless phones in the office or at home. The idea is that users would have a single phone that would switch to DECT when they were in the office, allowing them to use the standard phone network.

In the US, there are also some handsets that can cope with both the older-generation analogue system and digital mobile networks.

In Europe, the Canadian telecoms company, Nortel, thinks that dual-band handsets (same standard; different frequencies), combining GSM and its cousin, the Personal Communications Network standard (PCN), have a future.

However, a number of factors is currently slowing the take up of dual-mode handsets. First, the phones are quite large, though getting smaller. Second, they are likely to cost more than standard mobiles because the potential market is smaller. Third, they are complex to build.

Notwithstanding this, Mr Hubert Tardieu, head of telecoms at the European technology company, Sema, believes that once DECT becomes better established in the office, more GSM/DECT handsets will start to appear. "GSM is still very expensive, so a dual handset that lets users take advantage of cheaper wire-line calls from the office, will do well," he says.

"Motorola are betting on that and also Sagem of France, and Alcatel is definitely working on a dual-mode handset," he adds. "It is technically difficult to capture two kinds of mobile signal, but personally, I am betting that it will succeed."

In Sweden, an Ericsson GSM/DECT phone is being tested in a trial involving at least 5,000 customers of telecoms operator, Telia. When Ericsson gets the results of the trial in a few months'

time it will decide whether to produce dual-mode handsets commercially.

Mr Pelle Bengtsson, information manager at Ericsson Radio Systems, says there is more than one way of cutting the cost of mobile-phone calls made from the office. Another is for the mobile operator to charge a low tariff for calls made from the cell nearest to the mobile user's workplace.

Coinciding with these changes to handsets are those to mobile phone base stations, which are needed for the reception and transmission of cellular signals.

Although now available in more compact forms, base stations are still controversial. The Department of Environment (DoE) introduced a code of practice in the spring in response to a growing number of complaints that base stations deface the countryside. But Mr Tony Burton, head of planning and natural resources at the Campaign for the Protection of Rural England (CPRE), says it does not go far enough.

"The spread of masts is now reaching more open countryside - one is proposed for an area of natural beauty on the Suffolk/Essex border. A mast near Andrew Lloyd-Webber's estate in Berkshire has also provoked concern from locals and from the composer himself," Mr Burton says.

Unless they are to be erected in areas of special protection, masts/base stations that are under 15 metres in height do not require planning permission.

The former environment minister, Mr Tim Yeo MP, has debated the issue in parliament. And Mr Burton is hoping that when the DoE meets later this month, it will decide to apply normal planning controls to the siting of base stations.

He also hopes that where it is possible for two network service providers to share a mast, new planning laws will compel them to do so.

At present, the planning policies relating to base stations are biased in favour of the telecoms industry. Appeals against the location of base stations tend to fail.

In cities, it is often possible to position the new, more discreet base stations - in which the antenna is integrated into the front of a box shaped like a flat television - on the inside or outside walls of offices. Companies making small base stations include Ericsson, Nokia of Finland and Nortel (for PCN networks). These flat antenna panels can also be mounted on poles.

Mr Jan-Eric Stjernvall, product manager for GSM base stations at Ericsson, says miniaturisation has been possible because of high demand for extra capacity: base stations in urban areas can be smaller because there are lots of them.

But it is not always possible to site the smaller base stations in remote areas. "The technology you can use depends on where you are," says Mr Burton.

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AIM - Cont.

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Table listing American companies with columns for Name, Price, and % Change.

CANADIANS

Table listing Canadian companies with columns for Name, Price, and % Change.

SOUTH AFRICANS

Table listing South African companies with columns for Name, Price, and % Change.

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service are delivered by data, part of Financial Times Information. Company classifications are based on those used for the FTSE Actuaries Share Index. Details cover are calculated on a 'net' basis. Market capitalizations are published on Tuesdays-ShareIndex except for Investment Trusts and British Banks.

FT Share Service

The following charges have been made to the FT Share Information Service. Additional: Barratford, Corp. Etc. Search and Marketing (S&M), Ocean Res (OR), John David Sports and Leisure (JDSL), Stock Market (SM), (TMS), Deloitte & Touche (DT), Fleming Intl High Inc (Z), Zoro Pty, River Pubs Inc, Cap & Zoro (CZ), Petrochem (PE), Maspower (MS) and Respower (RS).

FT Free Annual Reports Service

You can obtain the current annual report of any company quoted with a FT Share code the code FT1996. Ring 0161 770 0770 (open 24 hours including weekends) or Fax 0161 770 3822. Reports will be sent the next working day, subject to availability.

FT Company Focus / Focus Plus

Comprehensive 10-12 page report available on the company, containing key news stories from the last year, latest survey of City profit forecasts and investment recommendations, 5 year financial and share price performance review, balance sheet and profit and loss data. Also recent Stock Exchange announcements. Company Focus FT news 12.45, Cap & Zoro (CZ), Petrochem (PE), Maspower (MS) and Respower (RS). To order, call 0121 200 4678. Reports published by ShareFinder Ltd.

FT Cityline

For up-to-the-second share prices call FT Cityline on 0208 43 or 0891 43 followed by the four-digit code listed after the share price. Calls charged at 45p per minute (plus VAT) and 50p per minute at all other times. An international service is available for callers outside the UK annual subscription 2500 pp. Call 0171 675 4278 for more information on FT Cityline. For readers phoning from outside UK, please dial +44 in place of the first 0. The share prices printed on these pages are also available on the internet at http://www.ft.com.

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances
FT Cyteline Unit Trust Prices: dial 0891 430010 and key in a 5 digit code listed below. Calls are charged at 45p/minute...

LUXEMBOURG (SIB RECORDED)

Main table containing fund names, codes, and prices for Luxembourg (SIB RECORDED). Columns include Fund Name, Code, Price, and other details.

LUXEMBOURG (REGULATED)

Table containing fund names, codes, and prices for Luxembourg (REGULATED). Columns include Fund Name, Code, Price, and other details.

OFFSHORE INSURANCES

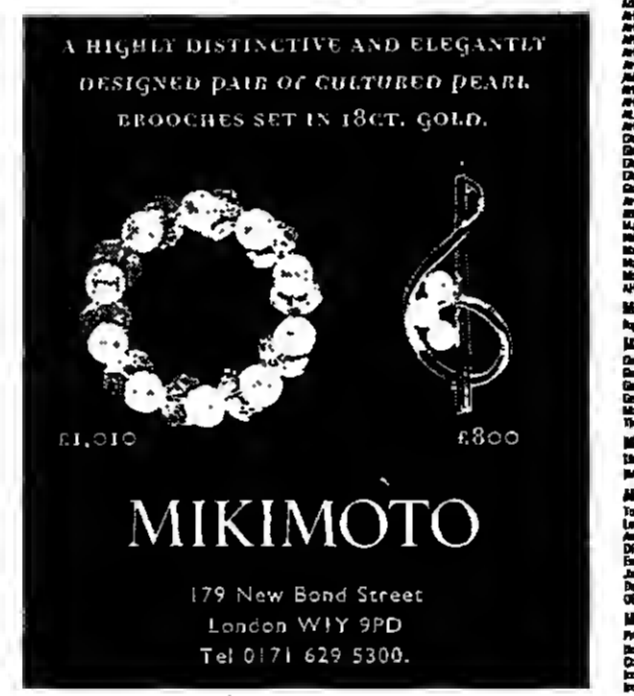
Table containing insurance company names, codes, and prices. Columns include Company Name, Code, Price, and other details.

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

FT Cityline Unit Prices daily 0930-1000 and key in a 5 digit code listed below. Calls are charged at 45p/minute cheater rate and 50p/minute at all other times. International access available by subscription only. For more details call the FT Cityline Help Desk on (+44 171) 873 4578.

Main table listing various FT Managed Funds with columns for Fund Name, Currency, and Unit Price. Includes sub-sections for 'Other Offshore Funds' and 'MANAGED FUNDS NOTES'.



OTHER OFFSHORE FUNDS
ASIP Management Ltd
Nov 25 1996 544.00 476.17

MANAGED FUNDS NOTES
These notes are printed unless otherwise indicated and they are subject to change without notice. The regulatory authority is the Financial Services Authority.
1. The fund manager's liability is limited to the amount of the fund's assets.
2. The fund manager is not liable for any loss or damage to the fund's assets.
3. The fund manager is not liable for any loss or damage to the fund's assets.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table of stock market data for Europe, including Austria (Nov 22 / Sch), Belgium (Nov 22 / Ft), Czech Rep (Nov 22 / Kor), Denmark (Nov 22 / K), Finland (Nov 22 / H), France (Nov 22 / Ft), Germany (Nov 22 / D), Greece (Nov 22 / Ft), Hong Kong (Nov 22 / H), Italy (Nov 22 / Ft), Japan (Nov 22 / K), Korea (Nov 22 / K), Malaysia (Nov 22 / M), Mexico (Nov 22 / M), New Zealand (Nov 22 / NZS), Singapore (Nov 22 / S), South Africa (Nov 22 / J), Taiwan (Nov 22 / TW), Thailand (Nov 22 / B), Turkey (Nov 22 / L), and USA (Nov 22 / K).

Table of stock market data for Europe, including Austria (Nov 22 / Sch), Belgium (Nov 22 / Ft), Czech Rep (Nov 22 / Kor), Denmark (Nov 22 / K), Finland (Nov 22 / H), France (Nov 22 / Ft), Germany (Nov 22 / D), Greece (Nov 22 / Ft), Hong Kong (Nov 22 / H), Italy (Nov 22 / Ft), Japan (Nov 22 / K), Korea (Nov 22 / K), Malaysia (Nov 22 / M), Mexico (Nov 22 / M), New Zealand (Nov 22 / NZS), Singapore (Nov 22 / S), South Africa (Nov 22 / J), Taiwan (Nov 22 / TW), Thailand (Nov 22 / B), Turkey (Nov 22 / L), and USA (Nov 22 / K).

Table of stock market data for Europe, including Austria (Nov 22 / Sch), Belgium (Nov 22 / Ft), Czech Rep (Nov 22 / Kor), Denmark (Nov 22 / K), Finland (Nov 22 / H), France (Nov 22 / Ft), Germany (Nov 22 / D), Greece (Nov 22 / Ft), Hong Kong (Nov 22 / H), Italy (Nov 22 / Ft), Japan (Nov 22 / K), Korea (Nov 22 / K), Malaysia (Nov 22 / M), Mexico (Nov 22 / M), New Zealand (Nov 22 / NZS), Singapore (Nov 22 / S), South Africa (Nov 22 / J), Taiwan (Nov 22 / TW), Thailand (Nov 22 / B), Turkey (Nov 22 / L), and USA (Nov 22 / K).

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Advertisement for Rockwell: 'From automotive to automation, Rockwell gets your business moving.' Includes the Rockwell logo.

INDICES

Table of stock market indices for various countries including Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Rep, Denmark, Finland, France, Germany, Greece, Hong Kong, India, Indonesia, Italy, Japan, Korea, Malaysia, Mexico, New Zealand, Norway, Pakistan, Philippines, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, USA, and Venezuela.

US INDICES

Table of US stock market indices including Dow Jones, S & P 500, NASDAQ, and various sector indices like Health Care, Technology, and Energy.

ASIA

Table of stock market data for Asian countries including Australia, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, Singapore, South Korea, Taiwan, Thailand, and USA.

AFRICA

Table of stock market data for African countries including South Africa.

AMERICA

Table of stock market data for American countries including Canada, Mexico, and USA.

Table of Index Futures for CAC-40, DAX, and other European indices.

Table of Index Futures for Nikkei, Hang Seng, and other Asian indices.

Table of Index Futures for Dow Jones, S & P 500, and other US indices.

Table of Index Futures for Nikkei, Hang Seng, and other Asian indices.

Table of Index Futures for Nikkei, Hang Seng, and other Asian indices.

Footnote and disclaimer text: 'The FT Free Annual Reports Service... The FT Free Annual Reports Service...'

NEW YORK STOCK EXCHANGE PRICES

4 pm close November 22

Table of stock prices for various companies, including symbols, prices, and changes. Includes sub-sections like 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Table of stock prices for various companies, including symbols, prices, and changes. Includes sub-sections like 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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Table of stock prices for various companies, including symbols, prices, and changes. Includes sub-sections like 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Table of stock prices for various companies, including symbols, prices, and changes. Includes sub-sections like 'D', 'E', 'F', 'G', 'H', 'I', 'J', 'K', 'L', 'M', 'N', 'O', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

Advertisement for Hewlett-Packard featuring the text 'Reach for it. If the business decisions are yours, the computer system should be ours.' and the HP logo.

Continuation of the stock price tables from the previous section, covering various companies and their market data.



NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for NYSE, NYSE, and NYSE.

NASDAQ NATIONAL MARKET

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for NASDAQ, NASDAQ, and NASDAQ.

AMEX PRICES

Table of AMEX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for AMEX, AMEX, and AMEX.

Advertisement for 'Denmark' featuring the text 'Have your FT hand delivered in Denmark' and 'Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day.'

Continuation of stock price tables from the NYSE and NASDAQ sections, including various market indices and individual stock listings.

FT GUIDE TO THE WEEK

MONDAY 25

Turkey heads EU agenda

The European Union's relations with Turkey will dominate discussions at a meeting of EU foreign ministers in Brussels...

Black Sea rim summit

Leaders from the 11 Black Sea rim countries hold a summit in Moscow. Joint projects by the Black Sea Economic Co-operation group...

Cuba widens military ties

Cuba is hosting a four-day meeting of heads of military academies and defence experts from 11 Spanish-speaking nations...

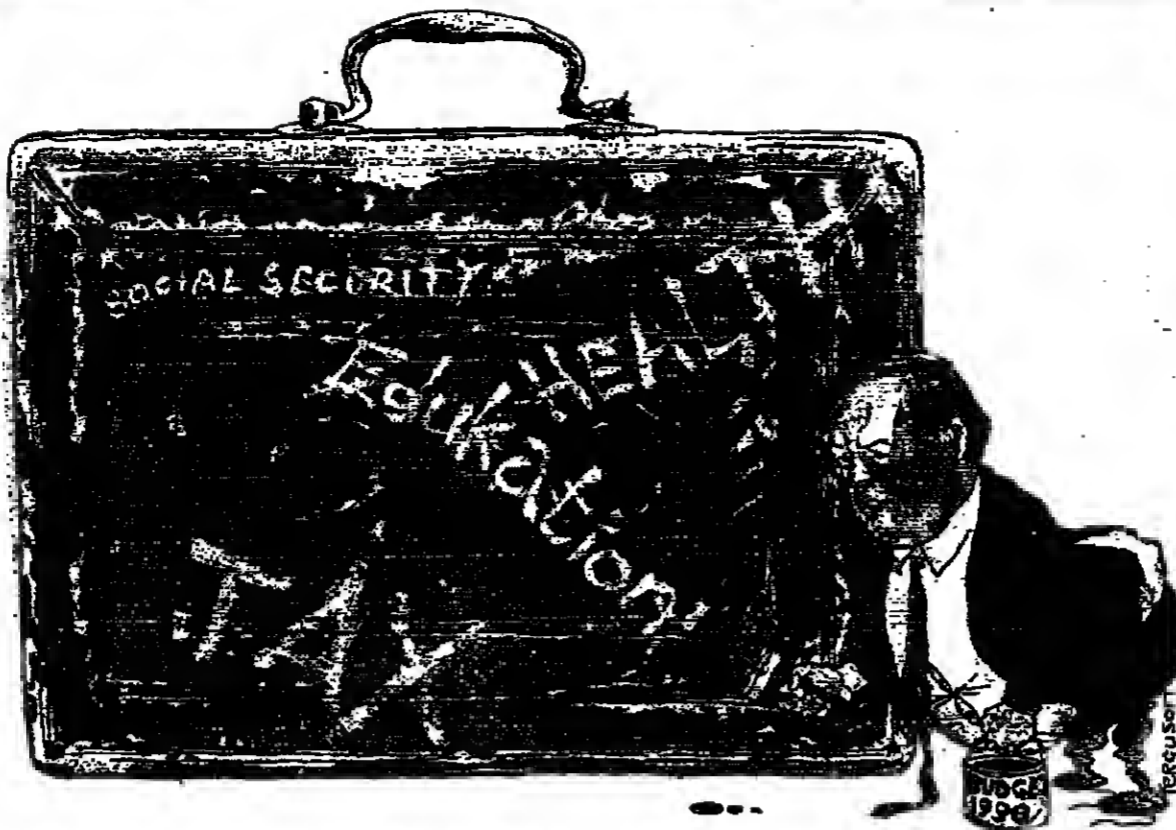
Biological weapons review



Nearly 140 countries will be represented in Geneva at the fourth review conference of the 1972 United Nations biological weapons convention...

Clinton visits Thailand

Bill Clinton, the US president, arrives in Thailand for 24 hours - the first US president to visit since Richard Nixon during the Vietnam war...



On Tuesday, Kenneth Clarke, the chancellor, outlines the British government's plans for taxation and spending in his fourth Budget

negotiation for more than two decades, make a "major policy address" on priorities in Asia for his second term...

Apec summit in Subic Bay

Leaders of the 18-member Asia Pacific Economic Co-operation forum meet for their annual summit in Subic Bay, the Philippines...

Mastering Enterprise

The 12-part FT Mastering Enterprise series on entrepreneurship continues in the Financial Times, with part two. The series covers every stage from starting a company to building and sustaining enterprise...

FT Survey

Mobile Communications.

Holidays

Bosnia & Herzegovina, Surinam.

TUESDAY 26

Clarke presents UK budget

Kenneth Clarke, the British chancellor, sets out the government's plans for taxation and spending in his fourth Budget...

EU Citizens First initiative

Jacques Santer, the president of the European Commission, and Mario Monti, his single-market commissioner, launch the Citizens First initiative in Brussels...

Debate of the elephants

Theo Waigel, Germany's finance minister, kicks off a Bundestag debate on the 1997 federal budget. It will culminate on Friday in voting on the second and third readings of government plans for a 2.5 per cent cut in spending...

will be marked by the "debate of the elephants" - a traditionally heated discussion on government policy in which Helmut Kohl, the chancellor, will do battle with opposition leaders.

Saleroom

A 16th-century atlas by Gerard Mercator is expected to sell for more than £1m at Sotheby's in London. What makes the atlas remarkable is that two of its 50 maps are in the autograph hand of Mercator...

FT Surveys

Italian Finance Industry and Exports; Global Custody; Biotechnology.

Holidays

Mongolia.

WEDNESDAY 27

Tankan survey released

The Bank of Japan releases its quarterly Tankan business survey, the most authoritative guide to Japan's short-term economic outlook and an important influence on monetary policy...

THURSDAY 28

Push to liberalise EU post

EU telecommunications ministers in Brussels renew attempts to agree on proposals to liberalise the EU's postal market. A Franco-German compromise proposal could gain the necessary qualified majority support...

French growth boost

France's struggling centre-right government is expected to receive some much-needed encouragement from preliminary third-quarter gross domestic product figures. In sharp contrast to the second quarter, when the economy contracted by 0.4 per cent...

Strike in Greece

Greek trade unions stage a one-day general strike in protest at the socialist government's economic policies. As part of Greece's attempt to meet the Maastricht criteria for European monetary union, legislation is being prepared to cap spending by public sector enterprises...

Referendum in Algeria

Algerians vote in a referendum to amend the constitution. The revisions would concentrate power in the presidency, reduce the leverage of the national assembly and seek to prevent political parties from exploiting religion. The vote comes amid a resurgence in civilian massacres...

FT Surveys

Greece: World Airports.

Holidays

Albania, Chad, Guam, Mauritania, Panama, Puerto Rico, United States (Thanksgiving Day), Virgin Islands.

FRIDAY 29

Stone of Destiny

To mark the return of the Stone of Destiny to Scotland, Edinburgh will be

the scene of a ceremony said to be unmatched since the Queen visited Scotland after her coronation in 1953. The block of sandstone on which the kings and queens of Scotland and England have been crowned left Westminster Abbey earlier this month...

Holidays

Liberia, United States (many states), Vanuatu, Yugoslavia.

FT Survey

FT Guide to Health and Safety at Work (UK only).

SATURDAY 30

Asean considers expansion

The heads of state of the seven members of the Association of South-east Asian Nations meet informally in Jakarta, Indonesia. Topics of discussion are expected to include the entry of new member states to Asean, which groups Vietnam, Indonesia, Malaysia, Brunei, Singapore, Philippines, and Thailand.

Holidays

Barbados, Philippines, Yemen, Yugoslavia.

SUNDAY 1

Bucaram reveals his plan

Abdala Bucaram, the president of Ecuador, is expected finally to announce an economic plan nearly four months after taking office. The plan will include structural and budget reforms with a view to adopting a currency convertibility plan in 1997...

World Aids day

The theme for this year's World Aids day is "one world, one hope" - a call for global solidarity to halt the spread of the HIV virus, which has caused Aids. An estimated 8,500 people worldwide are infected by HIV daily. The theme, which was chosen by the joint UN programme on HIV/Aids, is also designed to raise awareness of the virus, remove its stigma and fight complacency.

Compiled by Simon Strong. Fax: (+44) (0)171 573 3194.

Other economic news

Monday: German consumer price data this week is expected to show subdued inflation in part because of lower oil prices.

Tuesday: US consumer confidence is expected to be buoyant this month. French household consumption is expected to have stabilised in October after falling in September.

Wednesday: The UK trade gap is forecast to have widened in September as strong domestic demand sucked in imports and exports began to suffer from the pound's recent rally.

Thursday: The recovery in Japanese industrial production is forecast to have gathered pace last month. Belgian consumer price inflation is expected to have stabilised after rising slightly recently. French GDP is expected to have risen strongly in the third quarter.

Friday: A slight fall in US personal incomes last month is expected to coincide with only a small increase in consumption. UK consumer credit is expected to have risen strongly last month, pointing to healthy activity on the high street.

Statistics to be released this week

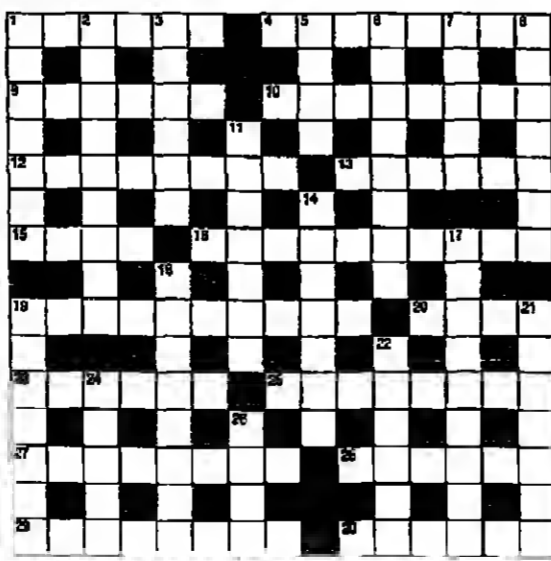
Table with columns: Day Released, Country, Economic Statistic, Median Forecast, Previous Actual, Day Released, Country, Economic Statistic, Median Forecast, Previous Actual. Includes data for Japan, France, Denmark, US, UK, Germany, Canada, Spain, Belgium, and France.

ACROSS

- 1 Learner-driver would crack up in a Shropshire market-town (4)
- 4 Greek ladies trained this week, patient woman (8)
- 9 Normans in Paris, grand for getting married (6)
- 10 Judge of a fiddle-flute (8)
- 12 He and I, for example, are members (8)
- 13 A mark on a tree that is on fire (6)
- 15 Slough outbuilding (4)
- 16 Clean forks, surprisingly, for breakfast foot (10)
- 19 Eight rules, darts and catching cold, from the sound of it (10)
- 20 In Rome, that is almost a bad date (4)
- 23 Reader in dialect, originally (6)
- 25 Where striker may stand for pay-rise? (8)
- 27 Standard charge in heraldry (8)
- 28 Stumped by primate's bone found on way to labyrinth? (6)
- 29 Still going: oo boards with navigational instruments (8)
- 30 Court and study not very resonant (6)

DOWN

- 1 Adherents to Hull, though showing weak set-pieces (7)
- 2 Plovers in Old Street flying about (8)
- 3 Big crits outnumbered in a pound? (6)
- 5 Animal on its back in long grass (4)
- 6 Surface-to-air missile for Aids (8)
- 7 Girl upset daily (5)
- 8 Cockney's bald and stuffy (7)
- 11 Wasting a sporting prize (7)
- 14 Tago was such an old, old man (7)
- 17 Novel issue seized? (9)
- 18 Do people with it count woolly jumpers? (8)
- 18 Quantities of fuel needed for oil traders losing energy (7)
- 21 Large hat? Let it stay on boy! (7)
- 22 Cave-man supporting Greek leaders (8)
- 24 Volume of old manuscripts making canon cross (5)
- 26 Easy pace of David Copperfield to his Aunt Betsey (4)

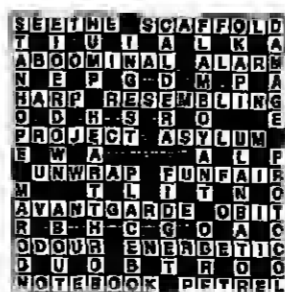


MONDAY PRIZE CROSSWORD No. 9,234 Set by DINMUTZ

A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £25 Pelikan vouchers will be awarded. Solutions by Thursday December 5, marked Monday Crossword 9,234 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday December 9. Please allow 28 days for delivery of prizes.

Name: Address: Winners 9,222 Solution 9,222

Winners 9,222 Bob Crawford, Liangarron, Herefordshire; Peggy Barker, Cressing, Essex; P. Brockbank, Southport; M.E. Gill, Cobham, Surrey; Mrs A.G. Olsen, Great Brington, Northampton; E.P. Wilson, Heaton Moor, Cheshire.



MORSE advertisement for JavaStation. Text: 'It's thin. (But not a lightweight.)' Includes an image of the device and contact information for Morse Computers: 0800 22 88 88.